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Metro Market Outlook—pp. 20-42

Repackaging building materials for DIYers—pp. 14-16

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New Pergament debuts as model warehouse store

By Donald Longo
NHCN managing editor

WOODMERE, N.Y. — Pergament Home Centers unveiled here last month what company officials are calling the "first true warehouse" home center in the New York Metropolitan Area.

The 72,000-sq.-ft. outlet—Pergament's fifth warehouse unit—will be the prototype for four more warehouse-style stores scheduled to open this year. It represents the chain's boldest plunge yet into the arena of warehouse retailing.

"The Bethpage store [opened in late 1983] was the test location," where any problems with the transition from a traditional to warehouse operation were ironed out, said Murray Pergament, president of the 40-store Melville, Long Island-based chain, who was at the Woodmere store for its official grand opening on Dec. 6. "This is our flagship," he said, gesturing to the estimated $2 million worth of merchandise stocked on 16-ft.-

(Continued on page 48)

"This is our flagship," said Murray Pergament (left) as he and his brother, Robert, oversee grand opening of the chain's new 72,000-sq.-ft. warehouse store in Woodmere, N.Y. NHCN photo

HomeClub closes $30 mil. private equity placement

Fills company coffers for 1985 expansion

By Ronald R. Gurczynski
NHCN associate editor

LONG BEACH, Calif. — HomeClub, the 18-month-old southern California warehouse home center chain, last month closed a $30 million private equity placement.

The deal represented 50% of HomeClub shares presently outstanding and boosted the chain's valuation to $60 million. The series B preferred stock was sold by the New York investment banking firm of Donaldson, Lufkin & Jenrette to a group of 15 investors ranging from venture capitalists and retailers, to pension funds and a university.

Investors in this round, which closed on Dec. 18, included Jack Eckerd Corp., a Florida-based specialty retailer, HRT Industries (owners of the Zody's discount store chain), Citibank, Harvard University, Manufacturers Hanover, Molson Pension Fund, General Electric's Pension Fund, the four original venture capital investors and several smaller groups.

While Eckerd invested $9

(Continued on page 48)

NEWSBREAKS

BEAVER READIES WAREHOUSE. Busy Beaver will open its first warehouse store, a 60,000-sq.-ft. unit, in Boardman, Ohio, late next month. The new company prototype will get a logo of its own, apart from the company's traditional beaver, and will be dressed in white, red and blue.

INSIDE:

BMA restructuring, strengthening national presence. —Page 2
The new tax plan: a mixed blessing for retailers. —Page 3
Delaware independent adapts to changing times. —Page 3
NHCN *introduces expanded financial report on home center industry.* —Page 4

AMSHEL CONSOLIDATES CHAINS

Hardware Fair launches repositioning

By John Caulfield
NHCN senior editor

BALTIMORE — After a year of managerial and financial turmoil, The Hardware Fair here embarks more optimistically on 1985, with plans to open as many as five new stores in this metro market.

And, at a time when this area has seen considerable expansion by several of the larger home improvement chains, Hardware Fair's strategy will be to convert its 10 existing units into "convenience" outlets that sell hardware and housewares.

It is dropping lumber and building materials from its larger stores, which will be shrunk to a standard 10,000 to 11,000 sq. ft. Its product mix could be halved to 10,000 stock keeping units, and the stores' inventory reduced to $250,000 per unit.

These seismic changes follow a very rough period for the chain, which, over the past 24 months, has had three presidents, three controllers, a six-point decline in gross margins, virtually no inventory turnover, and suffered its first real earnings loss.

Consequently, chain officials have attempted to find cost savings throughout the operation. They have closed its 38,000-sq.-ft. warehouse, and will rely on local and regional wholesalers, with the possibility in the future of aligning with one of the major wholesale co-ops. The warehouse's inventory was liquidated "at or below cost," according to one company official, in the fall, and 16 of its 22 employees were laid off. Margins on merchandise still in the stores have been raised to 38%.

By Jan. 15, Hardware Fair's buying and advertising depart-

(Continued on page 48)

Economic volatility doesn't brake Detroit market activity

By Elizabeth Brent
NHCN field editor

DETROIT — All but bereft of home center expansion in past years, Detroit could soon become the hottest market in the industry.

This year will see the entry of two powerful warehouse operators, The Home Depot and Builders Square. And in anticipation of their arrival, Forest City has already begun converting its eight stores here to a warehouse format it now uses in Chicago.

This sudden hyperactivity in Detroit could signal the beginning of a northern trek by other home improvement chains from the Sunbelt, as the search for new markets large enough to support warehouse and other big stores takes them above the Mason-Dixon line.

The Detroit market, though, is far more volatile than most, as its economy is vulnerable to the double-whammy fluctuations of both the housing and auto industries, variables even the newcomers haven't completely figured out yet.

"We don't have specific plans to deal with the cyclicality [of the auto industry]," admitted Arthur Blank, president of The Home Depot. "But we did discount a great deal of the base population to allow for a lot more unemployment."

The unpredictability of the market's economy will be further compounded by the ensuing ferocious battle for retail market share, as Home Depot and Builders Square plan to position their new sites alongside existing home centers in Detroit's suburbs, meeting their competition and each other head-on.

"You are going to see a dramatic change in the pricing structure of the Detroit market," said Paul Siegel, merchandising vp for the Cleveland-based Forest City. "Everybody in the market will be affected, and whoever does not respond will fold."

Officials at the other major chains in Detroit—Pine Lumber Cashway, Church's Lumber Yards, Erb Lumber and hardware companies like Meijer Thrifty Acres and ACO Inc.—all claim to be preparing for the warehouse onslaught, although most did not know how seriously these new stores would impact their businesses.

"We went through this [increased competition] in the 1960's and 1970's with the discount stores, and I think it's happening again," said Ted Traskos, chairman of ACO, which has all 42 of its stores within a 70-mile radius of Detroit.

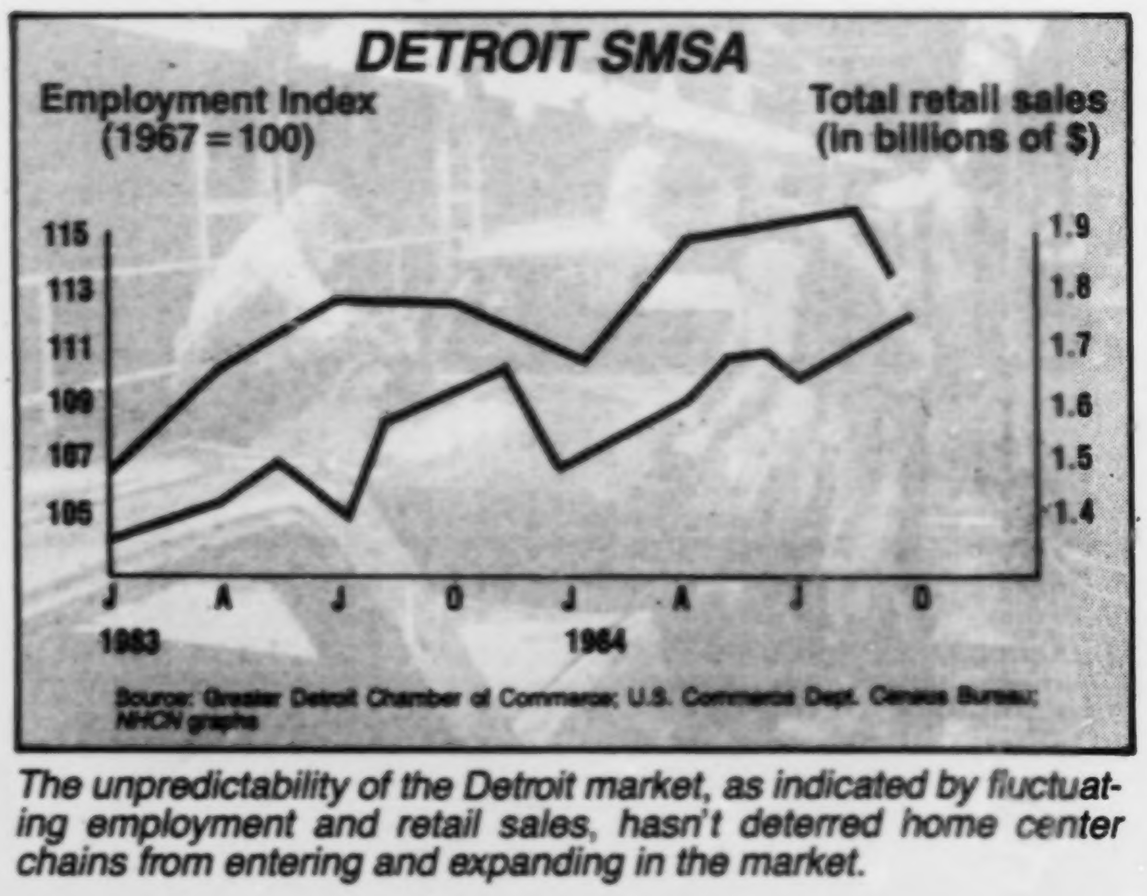
He now concedes, though, that the new competition has awakened his company into action. For example, the chain may soon be dropping the margins on several hundred of its items by as much as 5 to 10 percentage points. The stores will be emphasizing their basic hardware product mix and have greatly reduced housewares.

ACO has also stepped up its employee training, and has hired a public relations firm, Anthony M. Franco, which, over the past few months, has done market research that will form the basis of the chain's promotional program.

"Our company is now better positioned to take on new competitors than ever," Traskos said, adding that per store sales of $1.85 million were up 22% in 1984, 12% on a comp-store basis. "Only 1% of that increase was due to inflation." ACO plans to open five new stores in Detroit this year.

Other retailers here are hoping for the same kind of results from a market they describe as "lucrative," "volatile," "well stored" and "largely untapped."

(Continued on page 38)



Source: Greater Detroit Chamber of Commerce; U.S. Commerce Dept. Census Bureau; NHCN graphs

The unpredictability of the Detroit market, as indicated by fluctuating employment and retail sales, hasn't deterred home center chains from entering and expanding in the market.

NHCNews Briefs

Industry Update

Another 'Home' warehouse

CLEVELAND — "DIY Home Warehouse" is what Erb Lumber and Eclipse Industries are calling their new joint venture, through which they plan to open a string of warehouse home centers in this market.

The first store, tentatively scheduled to open in late winter, will be a 90,000-sq.-ft. unit, located in a former Clarkins department store at 12,800 Brookpark Road, about a mile from one of Forest City's busiest Cleveland stores. Initially, the Brookpark store will serve as the headquarters for the Erb-Eclipse company.

Triangle opens fourth unit

ALLENTOWN, Pa. — Triangle Building Centers opened its fourth home center store here on Dec. 15, a new prototype that the company hopes to replicate at least twice during 1985.

Thomas Ostrander, gm, said the 60,000-sq.-ft. store containing from 22,000 to 25,000 stock keeping units, completes the "natural extension" of the Allentown/Bethlehem/Easton area.

Although Ostrander would not say where Triangle is looking to expand its influence, he did say the Quakertown, Pa.-based company is investigating five new sites, three of which it is "actively pursuing."

The new Allentown store, described by Ostrander as a "hybrid," a cross between a retail showroom and a warehouse because it contains both features, is "the prototypical unit" Triangle will use in its future locations.

Goodbuys slates new stores

PHILADELPHIA — Mr. Goodbuys will open five to six new home center stores in 1985 including one in Lawnside, N.J., outside of Philadelphia, scheduled for next month, said Bill Dorf, senior vp of merchandising.

The four-unit chain based in Philadelphia will expand only in its "current trading area," Dorf said. Other specific site locations will be announced later this quarter.

Dorf, who started with Mr. Goodbuys last October, said all company locations will be outfitted with hardware, lighting and wall and window decor departments, new to Mr. Goodbuys. Buyers for those departments have already been hired: John Hanlon, formerly a hardware buyer with Rickel's is now heading the hardware division at Mr. Goodbuys; Michelle Angelo, formerly of Bellows Lighting in Philadelphia now is the Lighting Buyer, and Randy Silverman, formerly of Wanamakers of Philadelphia, will join Mr. Goodbuys as the Wall and Window Decor Buyer, Dorf said.

The new Lawnside store is a 108,000-sq.-ft. building previously occupied by Two Guys, a now defunct discount retailer. It is being remodeled to reflect a warehouse "hybrid" look containing "10 specialty stores under one roof," Dorf commented.

Diamond promo exceeds goal

DALLAS — A chainwide contest for Diamond Lumber's professional builder sales force generated $2.8 million in new business during October and November, president Jerry Rex said.

Salesmen actually exceeded a $2 million goal that was set for the contractor sales promotion, which Rex described as "the most sensational success of anything we've tried" since parent Michigan General acquired the 96-unit chain in September 1983.

The contractor salesmen earned contest points for each dollar of new business they wrote during a six-week period. The points were redeemed for Christmas gift certificates, which could be used to purchase products in the Spiegel's Christmas catalog.

Trump name not unique

NEW YORK — A judge here has denied a preliminary injunction that would have prohibited Eddie and Julius Trump from using their last name in business transactions.

Judge David Edwards found that the Trumps, whose group took over Pay 'n Save Corp. late last year, did not infringe on the trade name of the Trump Organization, owned by New York real estate mogul Donald Trump, who is not related to the brothers Trump.

The judge decided the name "Trump" was neither unique nor distinctive.

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Vol. 11, No. 1 Jan. 1, 1985

BMA restructures management to strengthen national presence

GREENVILLE, S.C. — Builder Marts of America has restructured its sales management organization and sales territories. The revamping, which came about late last year, is the latest phase in BMA's moves toward streamlining and decentralizing its building materials organization to further strengthen its national presence.

"We have grown dramatically and anticipate tremendous growth in the next two years. With our national positioning, we needed to take a different look at decentralizing some of our buying while, at the same time, centralizing our management," said a BMA officer. Over the last five years, BMA has grown at a better than 20% compounded annual rate. Apparently, BMA's latest move is part of the organization's new 3-Year-Plan extending into 1987.

The BMA reshuffling, which has not yet been announced, caught several BMA-affiliated retailers by surprise. Employees at Economy Lumber & Hardware in Colorado and The O'Malley Lumber Co. in Arizona, for instance, had not heard of BMA's sales organization changes.

Under the new plan, BMA has been divided into three sales regions—South, North and West—all of which, temporarily, operate from Greenville. Each sales region will be headed by a vice president.

Within these three new divisions will be a total of five subgroups with each one headed by a regional manager. BMA currently operates field offices in Greenville, Dallas, Schaumburg, Ill., and Concord, Calif.

Personnel changes include the promotion of Frank Robinson to senior vice president of BMA's dealer division from vice president and general manager for forest products. Michael Johnson, formerly vice president building materials, has now become vice president/business development. Another company official said that several more vice president positions have been filled by promotions from within.

Earlier in 1984, BMA building materials division president Dick Ingram said that the company had become too large to service its dealers effectively. In response, the company broke down into five regions. In addition, BMA placed greater emphasis on computerized telemarketing

Lloyd readies home center prototype

LLOYD LUMBER CITY
Welcome to the Newest Lloyd Lumber
POLICE

Lloyd Lumber in Hawthorne, N.Y., which opened in 1980, is slated for remodeling by the end of 1985. NHCN photo

DANBURY, Conn. — Lloyd Home & Building Centers, a 39-unit chain based here, will complete plans for a new, consumer-oriented prototype this summer.

The prototype will evolve from experimentation at Lloyd's Norwalk, Conn., store, which was remodeled with a high-tech theme last September.

Since that remodeling, retail sales at the Norwalk store have increased dramatically, from 65% to 80% of total store sales, said store manager Dave Corna, giving the unit a 20% sales gain since then.

The concept changes designed in 1984 will spread through the chain in 1985 with the remodeling of three additional locations, in New Milford, Conn., and in Hawthorne and Yorktown, N.Y., and the replacement of two other stores in their existing markets, in Poughkeepsie and Baldwin Place, N.Y.

Although the Norwalk store has been extremely successful for Lloyd, it is not the company's prototype but rather its experimental location. "It was the proof of the concept," noted Charles Banyas, director of merchandising and marketing.

The prototype itself is still in the design stages and probably will not be completed for at least six to eight months, commented Bruce Dybvad, director of three-dimension design at Design Forum. The Dayton, Ohio, firm was retained a year ago to help Lloyd establish a new theme for the company until last year known as Lloyd Lumber.

Decorated to look like a modern warehouse, Dybvad asserted the store "is not a low priced warehouse store but does have elements of it to give the sense of lower price but with upscale merchandise."

Banyas said the intent of the redesign was to help the retailer shed the lumberyard image and give it a more pleasing retail flavor.

The 13,000-sq.-ft. store is designed in gray and red and utilizes Plexiglas signage, track lighting and wood platforms on which special merchandise is presented for an environment condusive to selling DIY items,

The focal point of the retail floor is the kitchen area, located in the center of the store, furnished with eight vignettes featuring merchandise for Riviera, Carroll and Homecrest. It is in this department, that the store has had its largest sales increase, 19%. These sales gains balance the declines in lumber sales percentages, something Corna said he doesn't worry about since that department's "sales dollars are holding their own."

To underline the modern appearance of the store, Lloyd changed its logo from the familiar lumberjack to a bold red-lettered "Lloyd" sign on a black shadow.

There are other changes as well at Norwalk. Stock keeping units increased by 3,000 from 9,000 to 12,000. The additional merchandise has been used mostly to broaden lines in power tools, electricals, plumbing and lighting fixtures, Corna said. In addition, the creation of a separate professional contractor area, located against a wall, was installed to foster sales in that segment. This development, first implemented at Norwalk, could evolve into a separate contractor room with specialized hours, in the prototype, Dybvad said.

Highlights in this issue

NHCN's *1985 Metro Market Outlook*

Will Detroit's home improvement market emerge as the next Dallas for growth? Can Philadelphia be a magnet for new stores the way Denver has? Will the sales and earnings expectations of dealers moving into Nashville, Salt Lake City and a host of other "secondary" markets be met? Retailers are about to learn the answers to these questions this year, as many chains are "discovering" northern markets and those with smaller populations as areas for expansion. **—Pages 20-42**

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Merchandising

Building material manufacturers are taking steps to develop greater DIY sales by making their products more appealing and easier for the retail shopper to use.
—Page 14

FINANCIAL NEWS

15 Gainers

6 Unchanged

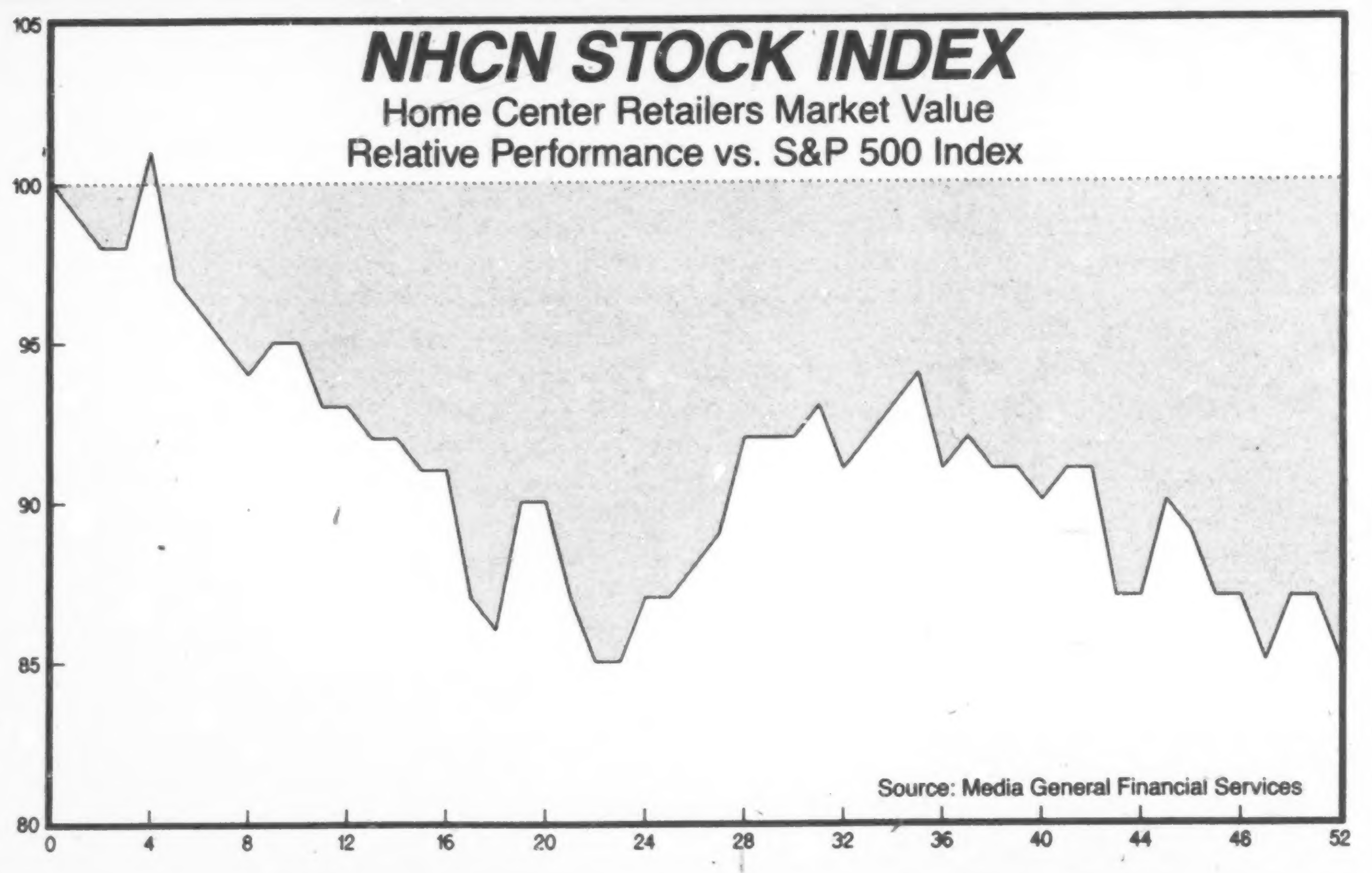
24 Losers

With this issue, *National Home Center News* introduces a completely expanded financial report on the home center industry that will appear in every issue and detail market performance in three ways:

- A Home Center Industry Market Summary will provide a consolidated, two-week summary, prepared at presstime, of stock price, volume, sales and earnings information on 22 home center retailer issues and 23 manufacturers and wholesalers in the industry.
- *NHCN* will provide a scorecard of the trading volume trend leaders and the biggest stock price gainers and losers.
- A *National Home Center News* Stock Index is charted on a graph to show home center retailers' relative market value performance in relation to the Standard & Poor's 500 index.

As the stock index graph indicates, home center stocks were outperformed by the S&P 500 during the past 52 weeks by approximately 15%. While the S&P 500 Index held steady (162.39 to 162.69) from December 1983 to December 1984, the *NHCN* Stock Index fell by almost 15 points.

Forest City Enterprises saw the largest volume trend change over the past two weeks, while Southwest Forest Industries experienced the greatest stock price gain. Evans Products and Wolohan Lumber headed a list of 24 stock price losers during the two-week period ended Dec. 14, 1984.


NHCN STOCK INDEX
Home Center Retailers Market Value
Relative Performance vs. S&P 500 Index

Source: Media General Financial Services

VOLUME TREND LEADERS

Company and Market	Total 2-Week Volume	2-Week Price Change	Volume Trend Change
-	(100)	%	%
Forest City Ent A	565	.0	642.1
US Gypsum N	9,310	- 5.6	344.9
Natl Gypsum N	7,604	- 2.8	321.6
Georgia-Pacific N	37,609	- 1.6	236.7
Certain-teed N	2,330	- 1.8	215.4

Company and Market	Total Weekly Volume	Weekly Price Change	Volume Trend Change
	(100)	%	%
Owens Corning N	10,191	.0	214.5
Boise Cascade N	8,415	2.3	178.1
Walter, Jim N	5,071	1.6	152.1
Lewis Palmer M	918	- 6.1	143.6
SW Forest Ind N	4,281	9.4	142.6

TOP GAINERS

Company and Market	Total 2-Week Volume	2-Weeks Ended 12-14-84	2-Week Price Change
-	(100)	$	%
SW Forest Ind N	4,281	16.00	9.4
Home Depot N	9,366	16.13	4.9
Mich General A	2,512	6.38	4.1
Payless Cash N	4,773	15.75	4.1
Edison Bros N	349	33.88	2.7

TOP LOSERS

Company and Market	Total 2-Week Volume	2-Weeks Ended 12-14-84	2-Week Price Change
-	(100)	$	%
Evans Prod N	1,529	3.13	- 10.7
Wolohan Lumber O	463	4.50	- 10.0
Sherwin-Wms N	2,937	26.13	- 6.7
Lewis Palmer M	918	7.75	- 6.1
Potlatch Cp N	791	29.13	- 5.7

National Home Center News®

HOME CENTER INDUSTRY MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 12-14-84	Price: 2-Weeks Change Amt.	Price: 2-Weeks Change Pct.	Price: 2-Week Range High	Price: 2-Week Range Low	Price: 52-Week Range High	Price: 52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Boise Cascade N	39.38	.88	2.3	39.75	37.00	45.00	32.50	8,415	3.17	1.14	178.1	10.7	1.90	4.8	.....	9 mos.	09-84	962.8	5.9	32.7	80.7	1.13	94.8	2909.7	14.1	94.1	103.7	3.24	120.4
Color Tile M	15.75	.13	.8	15.88	15.63	17.88	13.63	1,445	1.57	1.97	- 20.3	10.6	.00	.0	.....	3 mos.	09-84	75.5	20.2	2.8	3.7	.31	19.2	75.5	20.2	2.8	3.7	.31	19.2
Edison Bros N	33.88	.88	2.7	34.00	33.13	43.00	32.50	349	.34	.35	- 2.9	7.8	1.60	4.7	.....	9 mos.	09-84	270.7	8.6	8.9	- 14.4	.88	- 8.3	777.5	8.6	24.5	- 9.9	2.37	- 5.6
Erb Lumber O	18.50	.00	.0	19.50	18.50	25.00	18.00	20	.22	.38	- 42.1	8.6	.00	.0	.....	9 mos.	09-84	43.3	1.6	1.2	- 7.7	1.30	- 11.0	113.6	11.2	2.1	- 4.5	2.29	- 6.1
Evans Prod N	3.13	- .38	- 10.7	3.50	3.00	11.00	3.00	1,529	1.11	.55	101.8	NE	.00a	.0	.....	9 mos.	09-84	404.2	10.6	(12.6)	NE	(.99)	NE	1030.0	6.1	(58.1)	NE	(4.44)	NE
Forest City Ent A	21.00	.00	.0	21.00	20.75	21.25	15.00	565	1.41	.19	642.1	NE	.14	.7	.....	6 mos.	07-84	98.5	7.8	2.3	- 51.1	.29	- 50.0	170.7	3.9	.4	- 91.7	.05	- 91.7
Grace W R N	39.38	- 2.00	- 4.8	41.63	38.88	46.88	36.50	5,561	1.15	.57	101.8	9.9	2.80	7.1	.....	9 mos.	09-84	1658.3	10.1	33.1	17.8	.68	19.3	4897.0	9.7	136.5	34.2	2.80	35.3
Hechinger A M	19.75	.25	1.3	20.00	18.75	20.25	13.50	417	.60	.51	17.6	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	19.75	.25	1.3	20.00	18.75	20.50	14.00	583	.32	.19	68.4	18.0	.10	.5	NEW	9 mos.	10-84	100.4	28.7	4.7	30.6	.26	36.8	302.7	31.3	14.8	33.3	.81	32.8
Hines Ed Lumber O	40.00	.50	1.3	41.50	39.75	43.75	32.50	69	.39	.32	21.9	27.0	1.00	2.5	NEW	9 mos.	09-84	85.5	20.4	2.2	144.4	1.24	148.0	212.4	13.2	2.3	53.3	1.30	52.9
Home Depot N	16.13	.75	4.9	16.50	15.38	27.88	12.00	9,366	3.75	2.49	50.6	29.3	.00	.0	NEW	9 mos.	10-84	100.5	56.8	3.3	43.5	.13	44.4	315.4	81.6	10.5	50.0	.42	50.0
K mart Cp N	35.00	.25	.7	35.25	34.25	37.63	26.75	24,034	1.92	1.36	41.2	8.4	1.24	3.5	.....	9 mos.	10-84	4993.3	15.3	92.4	13.5	.71	12.7	14220.4	9.8	294.8	21.0	2.27	20.1
Lowe's Cos N	24.50	.50	2.1	24.75	23.75	25.00	16.25	7,456	2.06	1.12	83.9	14.7	.32	1.3	.....	9 mos.	10-84	447.7	17.2	17.6	23.9	.49	25.6	1312.9	19.4	50.9	23.8	1.41	23.7
Mich General A	6.38	.25	4.1	6.88	5.75	9.75	4.63	2,512	2.22	1.12	98.2	24.5	.00	.0	.....	9 mos.	09-84	123.9	327.2	2.0	100.0	.18	20.0	344.3	335.8	3.7	15.6	.32	- 40.7
Pay N Pak N	14.25	- .13	- .9	14.75	13.50	20.00	12.75	1,024	1.02	.89	14.6	11.9	.60	4.2	.....	6 mos.	08-84	87.8	17.9	3.8	26.7	.38	15.2	162.2	26.5	6.2	34.8	.62	17.0
Payless Cash N	15.75	.63	4.1	16.25	15.13	25.00	13.50	4,773	1.48	1.23	20.3	12.7	.16	1.0	.....	9 mos.	08-84	334.5	32.8	12.9	18.3	.40	.0	843.9	37.6	27.7	13.5	.86	- 5.5
Scott Seabd O	1.00	.00	.0	1.38	1.00	4.00	1.00	35	.19	.09	111.1	8.3	.00	.0	.....	6 mos.	07-84	11.2	6.7	.2	- 33.3	.13	- 27.8	20.5	9.0	.2	- 33.3	.13	- 27.8
Scotty's Inc N	12.63	- .25	- 1.9	13.50	12.50	16.25	11.38	1,318	1.00	.60	66.7	9.5	.52	4.1	.....	3 mos.	09-84	101.7	6.6	3.4	6.3	.25	4.2	101.7	6.6	3.4	6.3	.25	4.2
Sears, Roebuck N	30.75	- .38	- 1.2	31.75	30.00	40.38	29.50	49,206	1.37	.78	75.6	7.5	1.76	5.7	.....	9 mos.	09-84	9696.2	8.4	321.9	11.5	.88	8.6	27732.3	10.2	891.7	17.4	2.47	14.9
SW Forest Ind N	16.00	1.38	9.4	16.63	14.75	22.50	13.00	4,281	4.61	1.90	142.6	NM	.00	.0	.....	9 mos.	09-84	203.1	5.5	4.1	NE	.25	NE	587.5	15.8	13.1	NE	.82	NE
Std Brd Pnt N	18.25	- .75	- 3.9	19.25	18.25	22.63	16.50	899	.81	1.08	- 25.0	10.3	.54	3.0	NEW	9 mos.	10-84	81.5	2.4	5.3	- 3.6	.48	- 2.0	244.2	6.1	16.3	6.5	1.47	6.5
Wolohan Lumber O	4.50	- .50	- 10.0	4.88	4.50	6.50	4.00	463	.79	.57	38.6	14.1	.16	3.6	NEW	9 mos.	09-84	41.6	18.5	1.1	57.1	.19	72.7	103.0	22.8	1.8	38.5	.31	40.9
Wholesalers																													
Palmer Lewis M	7.75	- .50	- 6.1	8.25	7.25	10.81	7.09	918	2.46	1.01	143.6	11.1	.28b	3.6	.....	3 mos.	04-84	29.1	13.2	.3	200.0	.10	42.9	29.1	13.2	.3	200.0	.10	42.9
Manufacturers																													
Am Standard N	30.00	- 1.25	- 4.0	31.25	29.50	33.25	22.88	5,229	1.34	.68	97.1	10.4	1.60	5.3	.....	9 mos.	09-84	1005.7	97.6	30.2	105.4	.64	20.8	2529.2	57.4	87.3	95.7	2.24	38.3
Armstrng Wrld N	32.50	.00	.0	33.00	31.38	33.00	22.25	5,435	2.26	1.16	94.8	9.2	1.20	3.7	.....	9 mos.	09-84	395.0	6.6	22.8	15.2	.95	18.8	1186.8	9.6	73.4	46.8	3.00	49.3
Black & Decker N	21.63	- .88	- 3.9	22.50	21.00	28.63	17.25	8,617	1.71	1.23	39.0	11.1	.64	3.0	.....	fiscal	09-84	473.9	70.2	24.5	50.3	.48	29.7	1523.9	30.5	95.4	238.3	1.95	200.0
Certain-teed N	20.25	- .38	- 1.8	21.13	19.75	23.50	15.50	2,330	1.23	.39	215.4	11.0	.60	3.0	.....	9 mos.	09-84	327.0	11.2	3.6	- 74.6	.17	- 77.6	915.8	17.1	29.6	17.5	1.47	8.1
Champ Intl N	20.00	.25	1.3	20.13	19.25	28.88	16.88	26,018	4.72	2.89	63.3	9.4	.40	2.0	.....	9 mos.	09-84	1131.2	.8	40.2	64.1	.65	75.7	3430.7	7.7	109.4	87.7	1.76	107.1
Clopay Corp A	16.50	- .25	- 1.5	16.75	16.38	19.50	13.63	15	.13	.33	- 60.6	9.2	.16	1.0	.....	9 mos.	09-84	36.1	12.1	1.3	62.5	1.02	61.9	97.6	12.7	1.6	100.0	1.26	90.9
DeSoto Inc N	31.88	- .50	- 1.5	32.63	31.25	34.38	26.50	358	.64	.32	100.0	9.5	1.40	4.4	.....	9 mos.	09-84	114.4	22.0	5.1	10.9	.91	11.0	329.2	19.3	15.1	8.6	2.70	8.0
Emhart Corp N	30.00	- .50	- 1.6	31.00	28.25	31.59	24.53	2,513	.91	.40	127.5	8.9	1.27b	4.2	.....	9 mos.	09-84	420.6	6.9	21.4	9.7	.78	9.9	1346.3	8.5	64.8	16.3	2.35	15.8
Georgia-Pacific N	23.75	- .38	- 1.6	24.38	23.25	25.75	18.00	37,609	3.67	1.09	236.7	11.4	.80	3.4	.....	9 mos.	09-84	1880.0	10.0	83.0	2666.7	.72	1700.0	5334.0	10.5	218.0	144.9	1.95	137.8
La Pacific N	19.88	- .50	- 2.5	20.88	19.50	28.78	17.00	5,484	1.59	.72	120.8	24.2	.80b	4.0	.....	9 mos.	09-84	312.7	14.2	6.9	56.8	.19	46.2	946.3	16.9	21.2	1.9	.61	- 3.2
Manville Cp N	5.88	- .13	- 2.1	6.00	5.63	13.63	5.63	3,187	1.33	.82	62.2	5.0	.00	.0	.....	9 mos.	09-84	512.0	12.9	28.2	38.9	.92	55.9	1400.9	7.9	59.0	.2	1.68	- 15.2
Masco Corp N	27.13	- .25	- .9	27.75	25.75	32.59	22.50	6,930	1.23	1.01	21.8	12.4	.56	2.1	.....	9 mos.	09-84	522.8	95.1	81.0	174.6	(.17)	- 100.0	805.0	2.2	94.2	22.7	1.67	25.6
Natl Gypsum N	38.63	- 1.13	- 2.8	40.00	34.00	40.00	27.00	7,604	4.89	1.16	321.6	6.1	1.76	4.6	.....	9 mos.	09-84	449.0	44.1	28.1	68.3	1.81	79.2	1288.3	56.8	81.6	164.1	5.24	175.8
Newell Cos N	15.50	.25	1.6	15.63	14.88	17.63	13.25	430	.50	.61	- 18.0	10.5	.50	3.2	.....	9 mos.	09-84	67.6	- 2.3	3.1	- 20.5	.35	- 27.1	218.6	32.6	10.0	6.4	1.11	.0
Owens Corning N	32.00	.00	.0	32.38	31.00	38.88	25.13	10,191	3.46	1.10	214.5	8.2	1.40	4.4	.....	9 mos.	09-84	806.1	8.4	34.8	20.0	1.18	19.2	2265.2	12.3	80.3	71.2	2.73	68.5
Potlatch Cp N	29.13	- 1.75	- 5.7	30.75	28.63	38.00	25.75	791	.51	.58	- 12.1	10.7	1.56	5.4	.....	9 mos.	09-84	249.1	7.8	11.1	2.8	.64	16.4	757.8	12.5	39.6	30.3	2.22	45.1
Sherwin-Wms N	26.13	- 1.88	- 6.7	27.88	26.00	32.38	22.25	2,937	1.29	.82	57.3	9.6	.76	2.9	.....	9 mos.	09-84	552.5	4.2	25.3	9.5	1.10	18.3	1573.7	4.6	55.9	16.2	2.40	24.4
Stanley Works N	24.50	- 1.00	- 3.9	25.38	23.88	29.50	19.50	2,236	.80	.43	86.0	9.6	.96	3.9	.....	9 mos.	09-84	294.6	18.7	18.1	29.3	.65	27.5	852.4	18.3	50.0	55.8	1.79	53.0
US Gypsum N	57.38	- 3.38	- 5.6	60.88	52.75	65.25	45.00	9,310	5.65	1.27	344.9	5.5	3.00	5.2	.....	9 mos.	09-84	633.7	45.9	47.5	68.4	2.87	70.8	1708.0	45.3	146.3	179.4	8.79	184.5
Walter, Jim N	31.00	.50	1.6	31.25	29.63	31.81	22.00	5,071	2.42	.96	152.1	7.8	1.20	3.9	.....	fiscal	08-84	656.6	14.7	33.7	27.2	1.36	30.8	2287.8	13.0	97.0	37.4	3.96	31.1
Waxman Ind O	9.13	.00	.0	9.38	8.88	10.25	4.13	224	1.32	.79	67.1	10.6	.06	.7	NEW	3 mos.	09-84	20.5	99.0	.7	250.0	.40	185.7	20.5	99.0	.7	250.0	.40	185.7
Weyerhaeuser N	28.13	- .25	- .9	29.75	27.25	35.50	25.00	16,897	1.30	.67	94.0	15.2	1.30	4.6	.....	9 mos.	09-84	2670.6	113.3	58.3	9.6	.40	14.3	4141.9	14.3	198.8	47.5	1.36	56.3

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting Period

3 mos. - First quarter of fiscal year
6 mos. - First six months of fiscal year
9 mos. - First nine months of fiscal year
fiscal - Fiscal year
NEW - New report since last issue

General Field Footnotes

NA - Not available or not applicable.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
a - Under dividend amount, an 'a' indicates a stock dividend.
b - Indicates cash plus stock dividend when applied to dividend amount column.

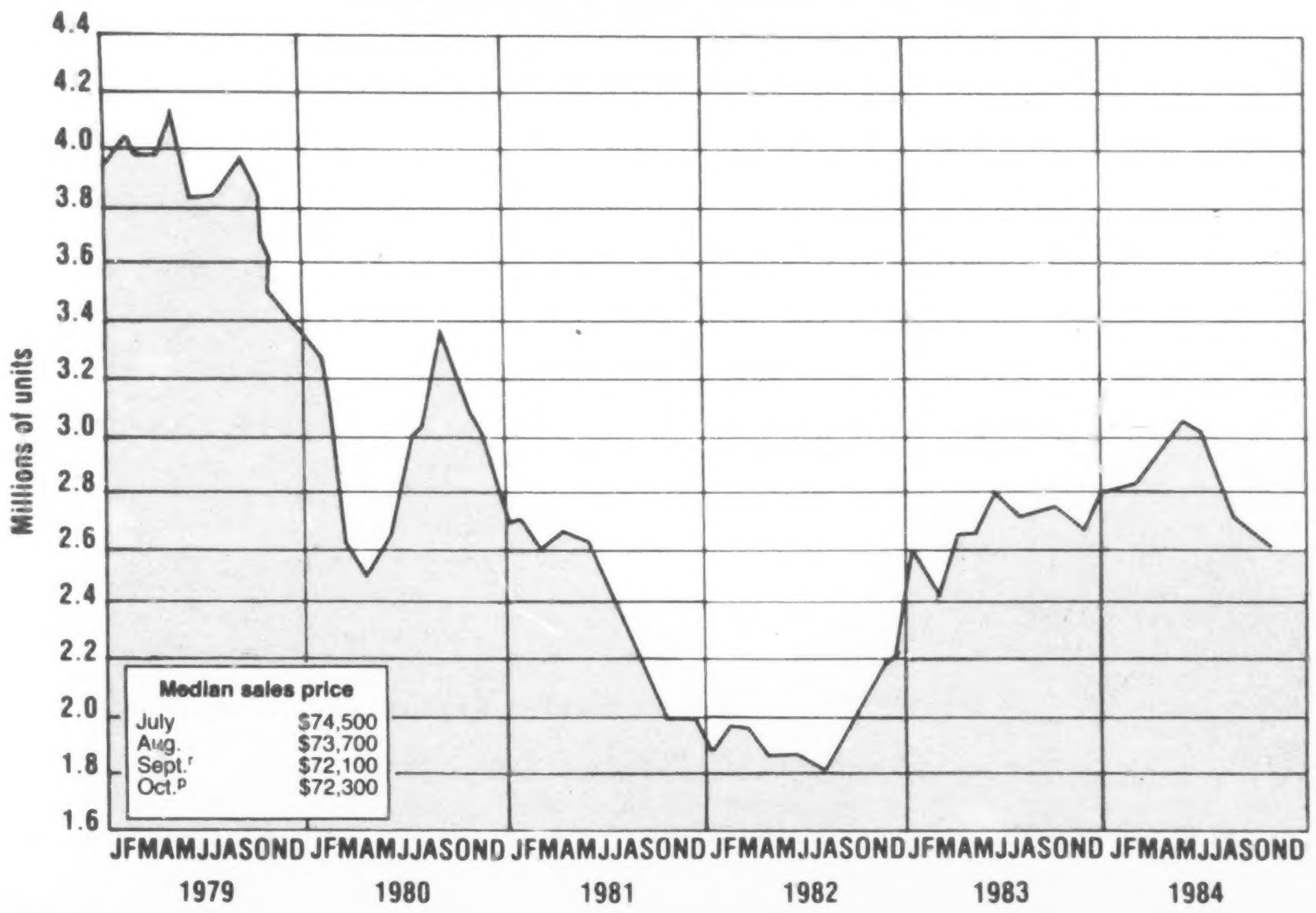
Market

N - New York Stock Exchange
A - American Stock Exchange
O - NASDAQ Over-the-Counter
M - NASDAQ National Market

Data and Table Provided by Media General Financial Services, Inc., Richmond, Virginia 23219

HOUSING WATCH

Existing single-family home sales



Median sales price	
July	$74,500
Aug.	$73,700
Sept.ʳ	$72,100
Oct.ᵖ	$72,300

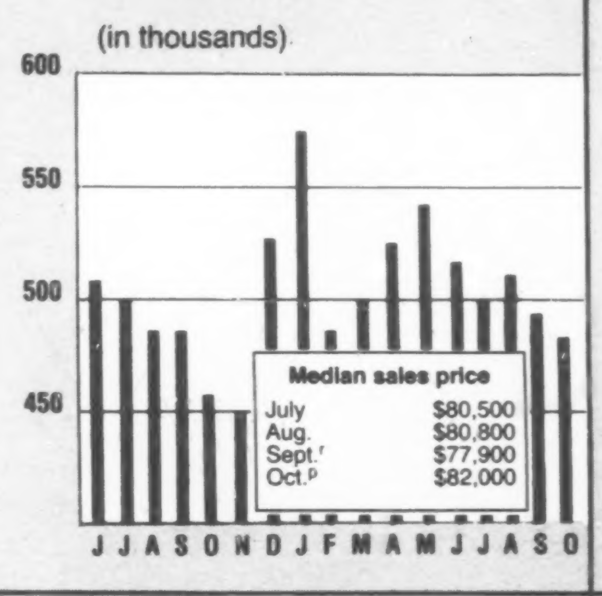
October's existing family home sales, helped by declining mortgage rates, leveled out at 2.67 million units, seasonally adjusted, ending a five-month decline, according to the National Assn. of Realtors. The regional picture was varied with declines in both the South and Northeast while home sales were strong in the West. Meanwhile, new family home sales rose for the second consecutive month to 680,000 units, seasonally adjusted, their highest level since March 1984.

r = revised p = preliminary

Source: Nat'l Assn. of Realtors

Northeast

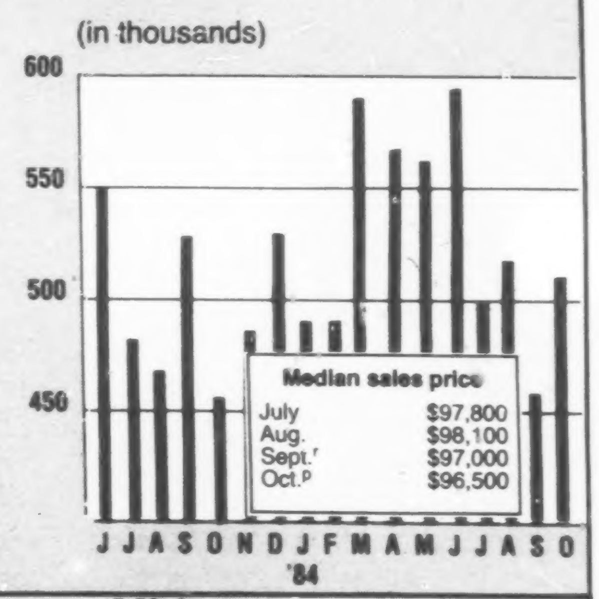
(in thousands)



Median sales price	
July	$80,500
Aug.	$80,800
Sept.ʳ	$77,900
Oct.ᵖ	$82,000

West

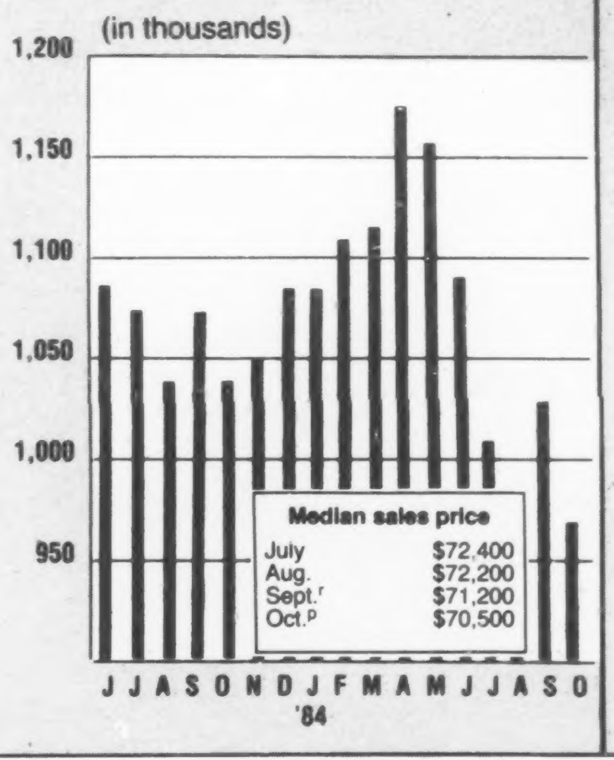
(in thousands)



Median sales price	
July	$97,800
Aug.	$98,100
Sept.ʳ	$97,000
Oct.ᵖ	$96,500

South

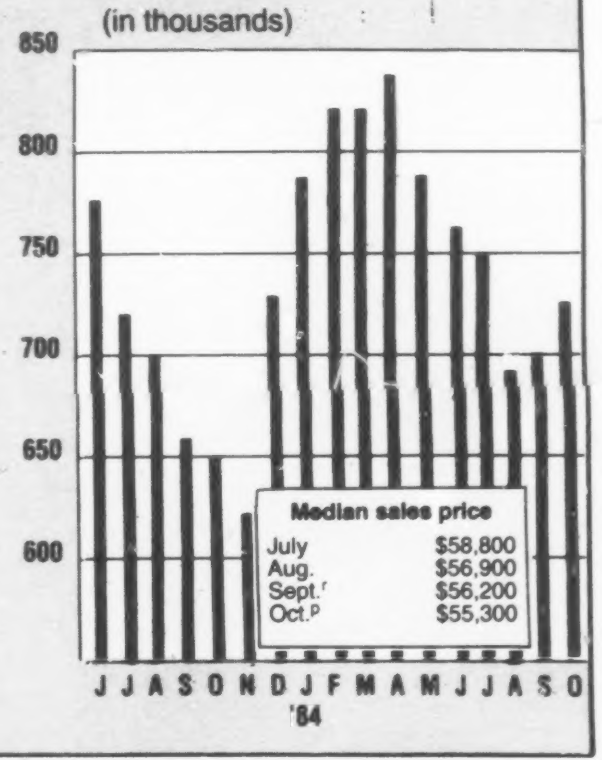
(in thousands)



Median sales price	
July	$72,400
Aug.	$72,200
Sept.ʳ	$71,200
Oct.ᵖ	$70,500

Midwest

(in thousands)



Median sales price	
July	$58,800
Aug.	$56,900
Sept.ʳ	$56,200
Oct.ᵖ	$55,300

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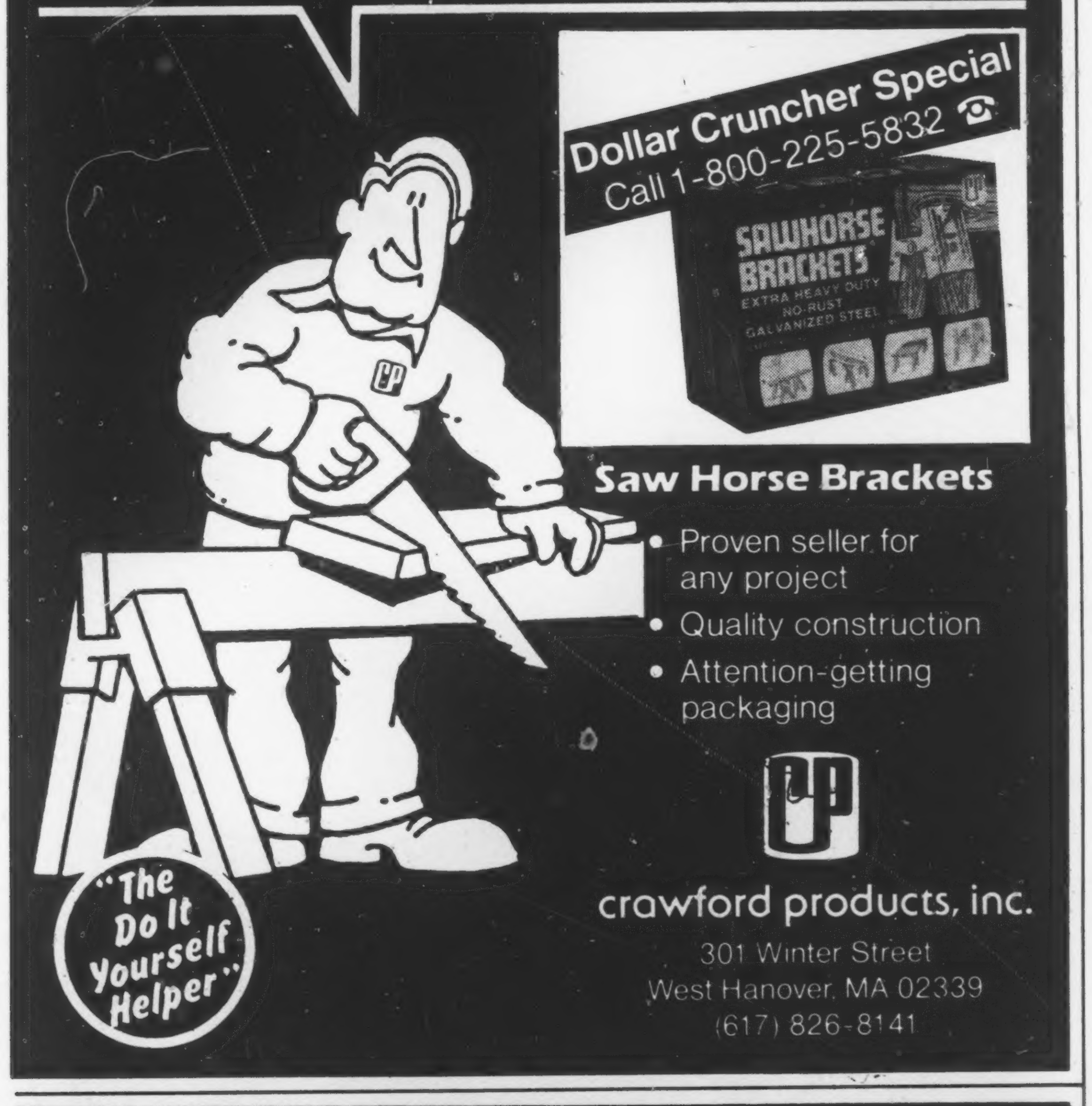

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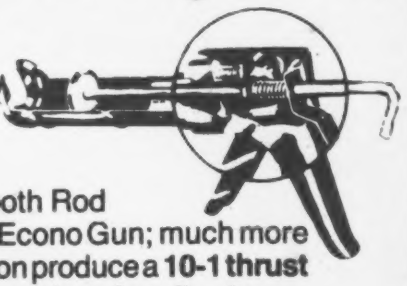

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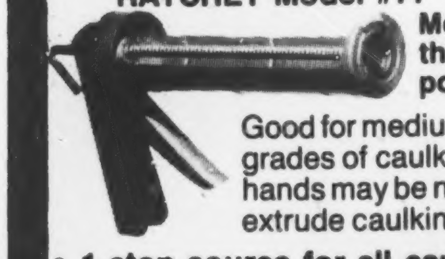

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Good for medium to light grades of caulk. Two hands may be needed to extrude caulking.

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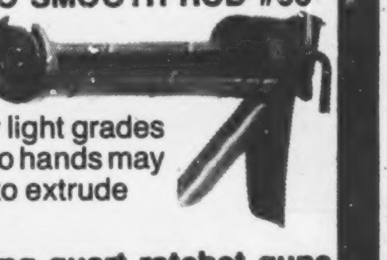

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Falling interest rates brighten housing picture

WASHINGTON — Lower mortgage rates are having a positive effect on home sales. October new home sales rose by 2.1% over the previous month to 680,000 units, seasonally adjusted. This is the highest figure since March 1984 when they reached 682,000 units, according to the Dept. of Commerce.

"This is especially good news following the 18.3% increase in the previous month," said Jack Carlson, chief economist and exec. vp with the National Assn. of Realtors (NAR).

Existing single-family home sales leveled off in October to 2.67 million units, seasonally adjusted, according to the NAR, thus ending a five-month decline.

The regional picture was varied with both the South and Northeast showing declines in existing home sales, while increases were recorded in both the West and Midwest.

Existing home sales dropped by 6.8% in the South to 960,000 units, seasonally adjusted.

The West recorded strong home resales, up 15.3% to 510,000 units. And new home sales were up also, by 35% to 186,000 units, seasonally adjusted.

"The major cause of the increased activity was the nearly 1% drop in fixed-rate mortgage interest rates, which attracted more buyers to the market and enabled more households to qualify to purchase," said Becki Schwab president of the 100,000-member California National Assn. of Realtors.

In California, with its high tech industries and greater income gains, housing rebounded more quickly than in the rest of the country.

Commitment rates on a fixed-rate mortgage are currently 14.16%, according to the Federal Home Loan Bank Board, compared with a rate of 15.23% for July. Rates for adjustable-rate mortgages with caps are currently 12.94% compared with July's rate of 13.17%.

In spite of the falling interest rates Carlson predicts less home resales in 1985 as the economy slows. Total home resales for 1984 are estimated at 2.83 million units and will drop to 2.70 million units by 1985.

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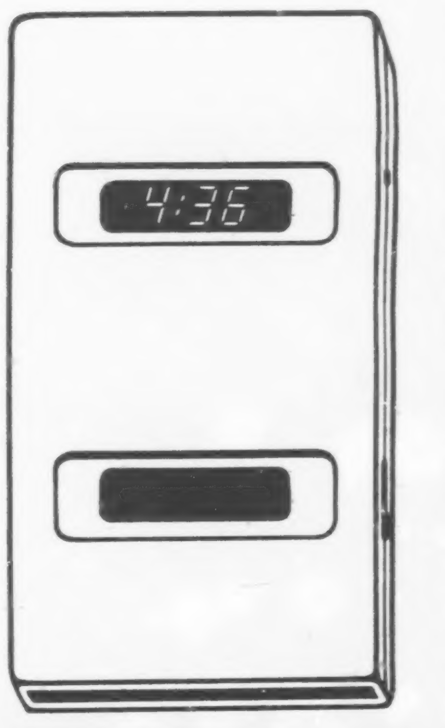

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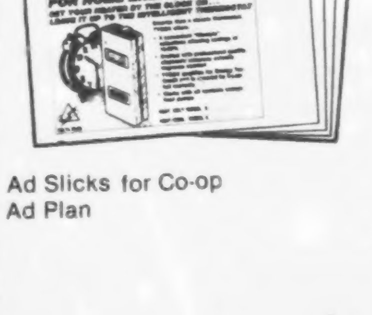

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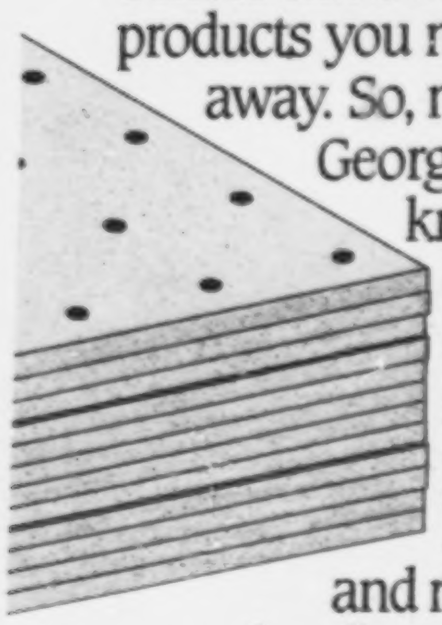

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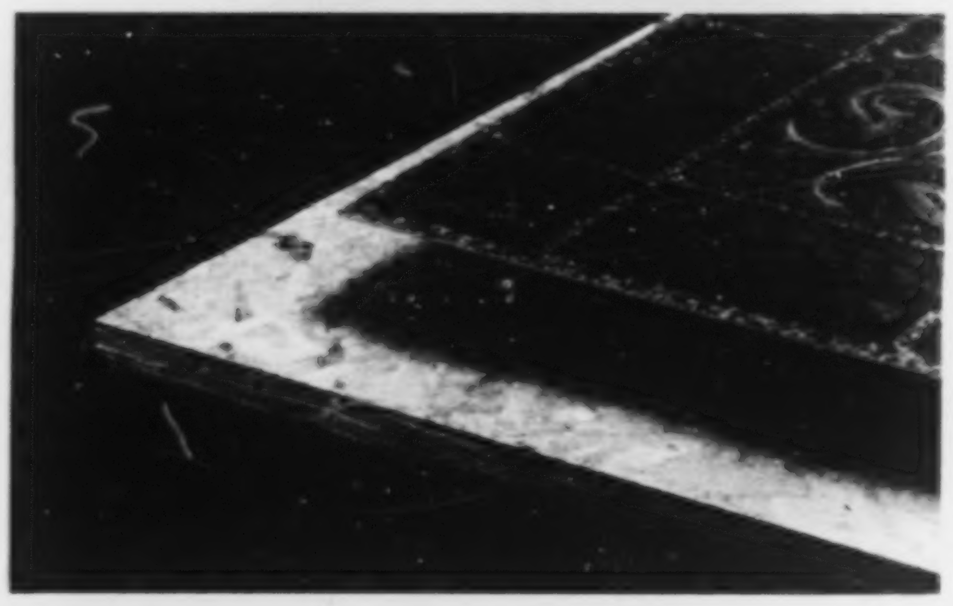

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LUMBER REPORT

Forest product producers begin to address retail supply/demand

NATIONAL REPORT — Comments made by Charles W. Bingham, Weyerhaeuser executive vice president, at a National Forest Products Assn. meeting late last year, should be heartening to retailers.

Bingham underlined a basic shift in Weyerhaeuser thinking concerning bringing products to market. In fact, it is a shift that goes well beyond that company.

"Instead of approaching the marketplace from the standpoint of, 'Here's what we've made. What will you pay for it?'" said Bingham. "We must ask the customer, 'What do you need that we can make?'"

Like other commodity producers, forest product companies are becoming keen marketers. As Bingham suggested, the new approach was perhaps overdue.

For one thing, the manufacturers have gotten into a lumber overproduction bind. Capacity has increased significantly in recent years and the mills are consequently spewing out more lumber. In plywood, Bingham noted, new products like waferboard and oriented strandboard resulted in a structural paneling overcapacity.

Excess capacity obviously impacts the market. Most of last year lumber prices floundered because supply far exceeded demand.

An answer to oversupply, offered Bingham, is expansion of the demand for wood, a goal that the NFPA has been addressing through its Wood Products Promotion Council.

"For example," said Bingham, "if all domestic regions utilized lumber at equal volumes per unit of housing construction, as are currently consumed in the West, demand would be increased by two billion bd. ft. of lumber per year.

"And if all domestic regions consumed structural panels as does the Northeast, demand would be increased 1.9 billion sq. ft. annually."

A way to achieve this increased demand for wood is to create products that more closely fill the consumers' needs, Bingham offered.

"Where there is more value," he said, "the customer will pay more for the product."

As an example of this phenomenon he mentioned Cabbage Patch Dolls, which have tapped an emotional chord among American consumers, who would probably not rush out in the same frenzy to purchase six 2x4s and a pound of sixpenny nails.

However, Bingham notes that the principle applies to products like oriented strandboard, which "has a higher value than plywood in some uses because it can be made in larger dimensions and machined better."

Beyond this product and others that forest product companies already offer, Bingham asks, "What new products can we make that current customers want or need? Are there potential customers out there we haven't even thought about?"

One group of customers that the forest products companies have thought of but will probably pay more attention to are the DIYers.

"Work toward expanding the market pie has begun," Bingham told NFPA members. "But, all in all, as a group—associations and producers—we need to do more to move promising new products to the consumer."

* * *

As last year ended lumber prices were rebounding somewhat as a result of a buying surge that followed the decline in the prime rate and the threat of labor problems for the British Columbia Railway.

Prices were still off from a year ago. The Random Lengths price for s-p-f studs was about $150 per thousand bd. ft., compared to $170 in December 1983.

FUTURES

Two weeks ended Dec. 6, 1984

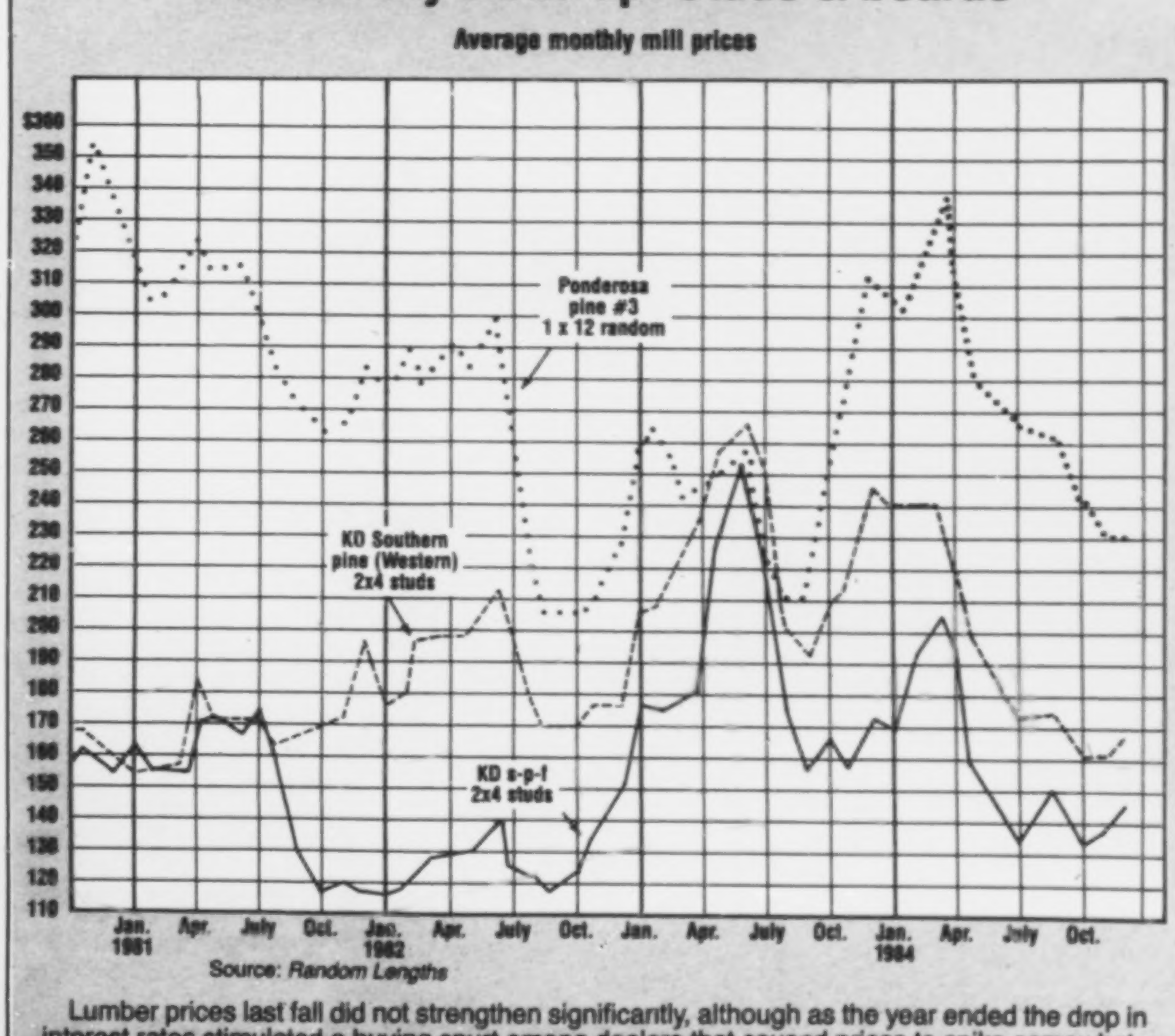
	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Jan. '85	157.20	145.50	145.70	154.20	3,913	221.30	130.30
March	165.60	155.20	155.40	163.80	2,081	220.40	139.30
May	172.70	164.30	164.30	170.80	1,244	225.00	147.00
July	178.40	169.90	170.50	176.60	733	230.50	153.00
Sept.	180.50	172.90	173.00	179.20	555	197.50	157.50
Nov.	180.70	172.80	173.00	179.20	414	186.10	167.30
Jan. '86	186.00	178.50	178.50	184.50	131	187.20	175.80

Total Contract Vol. (Through 12/6): 22,542 — Previous Two Weeks: 14,220
Total Open Interest (As of 12/6): 9,094 — Previous Week: 9,513
Cash Price: $153.86 — Previous Week: $156.80 — Year Ago: $170.52

CME—Chicago Mercantile Exchange
*Figures for Thursday, Dec. 6.
Open interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Lumber prices last fall did not strengthen significantly, although as the year ended the drop in interest rates stimulated a buying spurt among dealers that caused prices to spike somewhat.

KD southern pine (western) 2x4 studs sold for $161, $162 and $168 per thousand board feet in September, October and Nobemver, respectively.

A thousand board feet of KD s-p-f studs sold for $134, $138 and $143 for those months, while the prices for ponderosa pine #3 1x12's were $242, $231 and $230 per thousand board feet for September, October and November, respectively.

NHCN's 1985 METRO MARKET OUTLOOK

Chains draw new market battlelines

Detroit braces for warehouse mania; 2nd tier markets see flurry of activity

NATIONAL REPORT — Will Detroit's home improvement market emerge as the next Dallas for growth? Can Philadelphia be a magnet for new stores the way Denver has?

And will the sales and earnings expectations of dealers moving into Nashville, Salt Lake City and a host of other "secondary" markets be met?

Retailers are about to learn the answers to these questions this year, as many chains are "discovering" northern markets and those with smaller populations as areas for expansion.

While it cannot be said that growth has receded appreciably in the Sunbelt, which has been like catnip to the industry for more than five years, dealers are now also looking to establish stronger footholds in markets that, until recently, have been ignored or left dormant.

Detroit, the fifth largest market for building materials and hardware sales in the country, is about to become the industry's "Warehouse Central," as Builders Square and The Home Depot each prepared to move in with six units. Forest City, whose eight stores have monopolized this market for years, has begun converting its units into warehouses in anticipation of the coming storm.

Two years ago, Handy City, with three stores, was the only chain with any presence in Nashville. But already, Lowe's has added three units, bringing its total to four, and two major warehouse chains—Mr. HOW and Homecrafters—will be in the market this year.

Salt Lake City used to be dominated by only one chain—Ernst Home Centers—and a raft of independents like Samon's and Anderson Lumber. But within recent months Fred Meyer has moved in with five, full-line home and garden stores; Skaggs opened two more stores and now has four in the market; Sutherland Lumber opened its second unit here in the spring, and will add a third in 1985. For its part, Ernst has targeted all its Salt Lake stores for renovation and remodeling.

Even though Philadelphia's population is expected to grow by less than 1% through 1988, it remains the fourth largest market for building materials and hardware sales, and its disposable income over the next four years is projected to expand by more than 50%. These facts have recently dawned on many chains, including Mr. HOW, Hechinger, Rickel, Channel and Mr. Goodbuys, all of which have either opened new stores here recently, or will be adding new units to this ripening market in 1985.

This is not to say that the increased competitiveness and diminishing availability of land and/or second-use sites in the more traditional growth areas are keeping chains from expanding there. It does appear, though, that these huge southern markets are becoming venues of growth only for the largest of companies or the developing warehouse operations.

The acquisition by The Home Depot of Bowater in Dallas is bound to make that market even more volatile, and its head-to-head confrontation with Payless Cashways there should set off the same kind of fireworks these two companies produced in Phoenix last year.

Gerald A. Kopp, president of the Koppar Corp., a successful Atlanta builder, is currently developing a 400-house luxury subdivision southeast of downtown, called Manderley. For the slowly developing southside of Atlanta, long neglected by local builders, Manderley is the impetus for development in the mostly rural Henry County. "It takes a community like this to bring police, fire and schools up to a high standard of efficiency." Atlanta metro market report, pages 27-28.

In Atlanta, Home Depot will simply be expanding its already dominant market share when it opens two new stores this year. And, it remains to be seen what effect Homecrafters' plan to have five warehouses in Denver by year's end will have on the commanding position Payless' 17 Hugh M. Woods stores have there.

However, one of the brighter features of these burgeoning metro markets—their housing industries—are expected to decline over the next two years, and the potential for growth in places like Dallas or Houston or Phoenix or Denver, where so many home centers have placed stores, becomes a question mark.

In fact, housing throughout the country has sagged. Total starts in 1984 were estimated to be 1,745,000 units, an increase of only 2.5% over the previous year, according to figures from the National Assn. of Home Builders. And there was a 2% decline in single-family home construction to an estimated 1,047,000 last year.

Still-high interest rates continue to slow the expansion of the housing market. Long term, 25-year conventional mortgages for new homes peaked in July at 15.23%, and still hovered above 14% through November, according to the Federal Home Loan Bank Board. Mortgage rates for existing homes, while slightly lower, have still impeded purchases, as manifested by the only 5% jump in the resale of existing homes to 2,851,000 units last year, according to estimates by the National Assn. of Realtors.

The overall slowdown in housing does not appear to have fazed building materials sales, which stood at $51.23 billion through the first nine months of 1984, a 16.5% gain over the same period in 1983, according to the Census Bureau. Advance October sales were $5.7 billion for the month.

Part of these building materials sales gains is attributable to the explosion of warehouse stores in particular and the industry in general throughout the country. However, many of the markets in the Sunbelt and West have been exhausted by these companies' furious expansion and competition, which explains why northern metro markets are becoming more alluring.

As for the smaller markets in all sectors of the country, it seems the demographic profiles in each will determine whether home centers move in, as many industry executives now deify the young, affluent homeowner as their primary consumer target. A city or market that cannot attract the "yuppie" class stands a poor chance of emerging as a home improvement arena.

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Retail building material and hardware sales

1983 Rank	Metro area	Sales (in millions)
1	Los Angeles/Long Beach	$ 1,455.4
2	Chicago	1,014.4
3	Houston	952.8
4	Washington	836.3
5	Detroit	815.8
6	Boston/Lawrence/Salem/Lowell/Brockton	781.4
7	Anaheim/Santa Ana	701.6
8	Minneapolis/St. Paul	697.4
9	Seattle	677.9
10	Philadelphia	647.4
11	Atlanta	611.2
12	New York	603.4
13	Riverside/San Bernardino	591.8
14	San Diego	582.7
15	San Jose	479.7
16	Pittsburgh	458.2
17	Nassau/Suffolk	451.1
18	Baltimore	430.3
19	Dallas	420.2
20	Tampa/St. Petersburg/Clearwater	413.2
21	Sacramento	401.0
22	Denver	384.9
23	Oakland	380.9
24	Fort Worth/Arlington	369.0
25	St. Louis	354.3
TOTAL TOP 25		15,512.3

1983 Rank	Metro area	Sales (in millions)
26	Phoenix	$ 339.5
27	San Francisco	321.9
28	Charlotte/Gastonia/Rock Hill	314.5
29	Miami/Hialeah	313.2
30	Indianapolis	307.4
31	Fort Lauderdale/Hollywood/Pompano Beach	303.7
32	Cleveland	295.9
33	Newark	291.4
34	Norfolk/Virginia Beach/Newport News	288.7
35	Kansas City, Mo.	279.9
36	Greensboro/Winston-Salem/High Point	277.5
37	Columbus, Ohio	264.8
38	Louisville	256.3
39	Cincinnati	253.6
40	Portland, Ore.	253.4
41	Milwaukee	252.5
42	Oklahoma City	249.6
43	Bergen/Passaic	243.5
44	Bridgeport/Stamford/Norwalk/Danbury	242.7
45	Birmingham	241.1
46	Austin	236.8
47	Salt Lake City/Ogden	234.2
48	Tulsa	226.4
49	Hartford/New Britain/Middleton/Bristol	225.2
50	New Orleans	219.2
TOTAL TOP 50		22,247.9

1983 Rank	Metro area	Sales (in millions)
51	Orlando	$ 216.7
52	Akron	213.3
53	Nashville	212.9
54	Jacksonville, Fla.	198.4
55	Richmond/Petersburg	194.2
56	Baton Rouge	186.8
57	Rochester, N.Y.	184.3
58	Knoxville	182.5
59	Memphis	181.7
60	Beaumont/Port Arthur	180.7
61	Providence/Pawtucket/Woonsocket	177.5
62	Greenburg/Spartanburg	175.2
63	Dayton/Springfield	174.1
64	Johnson City/Kingsport/Bristol	173.0
65	Grand Rapids	171.1
66	San Antonio	171.2
67	Las Vegas	169.5
68	Monmouth/Ocean	169.1
69	Middlesex/Somerset/Hunterdon	168.4
70	Santa Rosa/Petaluma	164.1
71	Albany/Schenectady/Troy	158.4
72	Des Moines	155.0
73	Bakersfield	150.3
74	Fort Myers/Cape Coral	147.4
75	Buffalo	146.2
TOTAL TOP 75		26,669.9

1983 Rank	Metro area	Sales (in millions)
76	Lancaster	$ 143.8
77	Wichita	140.8
78	Mobile	140.6
79	Little Rock/North Little Rock	137.2
80	Scranton/Wilkesbarre	136.7
81	Fresno	135.8
82	Harrisburg/Lebanon/Carlisle	135.7
83	Wilmington, Del.	135.2
84	Amarillo	135.2
85	Springfield, Mass.	135.0
86	Gary/Hammond	131.8
87	Allentown/Bethlehem	129.1
88	Reno	128.8
89	Lake County, Ill.	127.1
90	Raleigh/Durham	126.6
91	Lakeland/Winterhaven	124.4
92	Eugene/Springfield	124.0
93	Syracuse	122.2
94	Charleston, S.C.	120.4
95	Tacoma	120.4
96	Melbourne/Titusville/Palm Bay	120.0
97	West Palm Beach/Boca Raton/Delray Beach	119.9
98	Boise	118.6
99	Peoria	118.5
100	Daytona Beach	117.0
TOTAL TOP 100		29,896.6

Source: Sales & Marketing Management's 1984 Survey of Buying Power

Chains stake claims for share of Dallas market

The Dallas market at a glance

Demographics	*1978*	*1983*	*% change*	*1988*ᴾ	*% change*
Population (thousands)	2,711.10	2,182.00	− 9.5	2,482.30	+13.8
Households (thousands)	953.90	812.40	−14.8	948.80	+16.8
Effective buying income (billions $)	20.30	25.01	+23.2	42.33	+69.3
Average household effective buying income (thousands $)	18.57*	30.80	+65.8	44.62	+44.9
Total retail sales (billions $)	12.14	14.27	+17.5	24.21	+69.7
Per household retail sales (thousands $)	12.73	17.57	+38.0	25.52	+45.2
Building materials/hardware sales (millions $)	473.10	420.30	−11.2	NA	—

Source: Sales Marketing Management Survey of Buying Power© *median HHEBI ᴱ—estimate ᴾ—projection NA—Not available

Housing starts	*1982*	*1983*	*% change*	*1984*ᴱ	*% change*	*1985*ᴾ	*% change*
Total	50,000	112,500	+125.0	82,900	−26.3	66,900	−19.3
Single family	26,400	47,700	+ 80.7	37,800	−20.8	33,500	−11.4

Source: National Assn. of Home Builders

Existing Home Prices	*1982*	*1983*	*(3rd Q) 1984*
Median sales prices of existing single-family homes (thousands $)	74.0	76.0	83.4

Source: National Assn. of Realtors, local real estate boards

NHCN charts

DALLAS — This city grabbed the home center industry's attention last year when Home Depot bought Bowater, based here, in late November, and Handyman sold off its nine Homer's units during the summer.

Yet these changes hardly reflect the intense competition within this aggressively expanding city/metropolitan complex, which doubled in population between 1970 and 1980, and which is expected to double again by the end of the century.

Despite the heat of competition here, some retailers feel optimistic about the potential for growth. The population includes a large number of young, affluent, well educated individuals who have been arriving in the wake of increased business migration to the Metroplex, as the four-county Dallas/Fort Worth area is called.

Home Depot executives are not only planning to increase the volume of the existing ex-Bowater units to Home Depot levels; the Atlanta-based chain is planning to add more stores in the market.

"We feel we have a great future in this market. The large, expanding population, good economy and good income levels make Dallas a very attractive place to be," said Ron Brill, senior vice president.

Although some industry insiders feel the market is already well on the way to being overstored, "it isn't from our point of view," said Brill. "There are no other warehouse chains in the market."

The metroplex may be an open market for warehouse stores, but there are a considerable number of regular home centers already there.

There are 13 Payless Cashways units, with two new stores earmarked to open in early 1986; 18 Handy Dans; 10 Boise Cascades; 5 Sutherlands; 2 84 Lumbers; as well as many independents affiliated with the major wholesale cooperatives.

So, warehouse stores aside, this market, in the words of one Home Depot/Bowater store manager, may be "already heavily saturated with home center stores."

Fred Held, president of the independent Elliott's Hardware, who does not see home centers as his direct competitors, agrees. Talking about the home center stores in the city, he said, "It's becoming so competitive here that, just as with the discount houses in the 60's and 70's, some of the companies that have entered the market will eventually start drifting away. After all, there is only so much money out there for us all to fight over."

Dallas home centers

Company	No. of stores
Handy Dan	18
Payless Cashways	13*
Boise Cascade	10
Home Depot	6**
Sutherlands	5
84 Lumber	2

*One store under construction
**Two new stores planned to open in 1986
Source: NHCN research

Building materials, lumber and hardware sales totaled $789 million in the metroplex—$420 million in Dallas and $369 million in Fort Worth/Arlington—in 1983. This accounted for 4% of the area's combined total retail sales, which would rank the metroplex seventh in the nation for retail sales, and sixth in the nation for building material, lumber and hardware sales, according to Sales & Marketing Management's 1984 Survey of Buying Power.

Payless Cashways has the largest share of this market, with sales estimated by *National Home Center News* to be approximately $98 million.

The six stores bought by The Home Depot had an estimated total volume of $60 million in 1984, according to *NHCN* calculations. Home Depot expects to increase that volume to about $100 million. The chain plans to add more stores in Dallas, perhaps doubling the number of units.

The intensifying competition among home centers here is exemplified by the fact that five years ago there were far fewer stores. Then, Bowater didn't exist, Boise Cascade had only just entered the market, and

(Continued on page 27)

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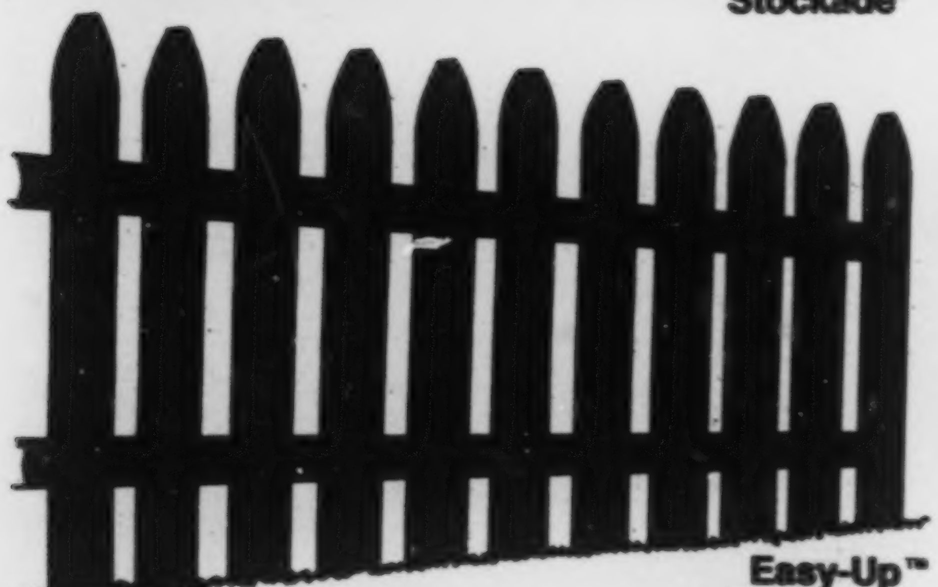

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Home centers target northern Atlanta suburbs

ATLANTA — A white-collar yuppie town where the average age is 29.5 years, the median household income is $25,804, unemployment is 4.5% and the average cost of a new home is $75,000, Atlanta is a very "hot town."

A city literally busting at the seams, economists, area planning groups and national organizations tracking the city's progress, can't seem to define its borders. Groups see Atlanta as 5, 7, 11, 15 and 18 counties big, making statistical information difficult to evaluate. Home center executives, however, know exactly where to locate their businesses, in the northern suburbs, especially in the high growth areas of Gwinnett and Cobb Counties. (Statistics in this issue apply to the 18-county area.)

"If you haven't been successful in this market, you won't be," declared Dick Rose, general marketing manager for Georgia Pacific's distribution division, the major supplier of plywood, lumber, gypsum, nails and roofing for the Atlanta market. Atlanta home center business is "stronger than a bear's breath. It's an incredible market," Rose said.

For the 18-county boom town, "The problem is coping with the new growth, not attracting new growth," asserted George Berry, commissioner of Georgia's Department of Industry and Trade.

As the service/transportation/financial/communication/warehousing capital of the Southeast, Atlanta grew economically in 1984 at an annual rate of 14% that is unprecedented and unsustainable by most standards, according to Donald Ratajczak, director of the Economic Forecasting Project at Georgia State University. He said 1985 should be more "normal" with a 5% to 5½% growth rate.

Construction of all kinds is everywhere and includes the city's major roadways and its rapid transit system (MARTA). Congestion on the roads and in the suburbs is increasing.

Growth here, however, is still rather lopsided, going north and staying there. The

(Continued on page 28)

The Atlanta market at a glance

Demographics	*1978*	*1983*	*% change*	*1988*^{P}	*% change*
Population (thousands)	1,874.90	2,320.00	+23.7	2,564.00	+10.5
Households (thousands)	639.30	839.70	+31.3	952.40	+13.4
Effective buying income (billions $)	13.24	24.38	+84.1	41.92	+71.9
Average household effective buying income (thousands $)	18.27*	29.03	+58.9	44.02	+51.6
Total retail sales (billions $)	7.83	12.39	+58.2	20.78	+67.7
Per household retail sales (thousands $)	12.24	14.75	+20.5	21.81	+47.8
Building materials/hardware sales (millions $)	481.70	611.30	+29.9	NA	NA

Source: Sales Marketing Management Survey of Buying Power® *median HHEBI ^{E}—estimate ^{P}—projection NA—Not available

Housing starts	*1982*	*1983*	*% change*	*1984*^{E}	*% change*	*1985*^{P}	*% change*
Total	24,720	45,190	+82.0	51,305	+13.5	44,075	−16.4
Single family	17,665	29,530	+67.1	31,270	+ 5.8	27,830	−11.0

Source: National Assn. of Home Builders

Existing Home Prices	*1982*	*1983*	*(3rd Q) 1984*
Median sales prices of existing single-family homes (thousands $)	55,300	63,000	64,600

Source: National Assn. of Realtors, local real estate boards

NHCN charts

Chains stake claims for share of growing Dallas metro market

(Continued from page 24)

Payless Cashways only had seven units in the area.

Also, total newspaper ad linage in Dallas' two major newspapers has jumped considerably. Total ad linage for the major home center chains doubled in 1983—the year Bowater appeared—from 1982. Linage for the first half of 1984 almost equaled the total ad linage output for 1983.

The heated up competition here reflects the growing, affluent population: The median age in Dallas is 29.4 years, and 70% of all Dallas residents who earn between $25,000 and $50,000 a year are in the 18- to 44-year-old age bracket, according to the *Dallas Times Herald*.

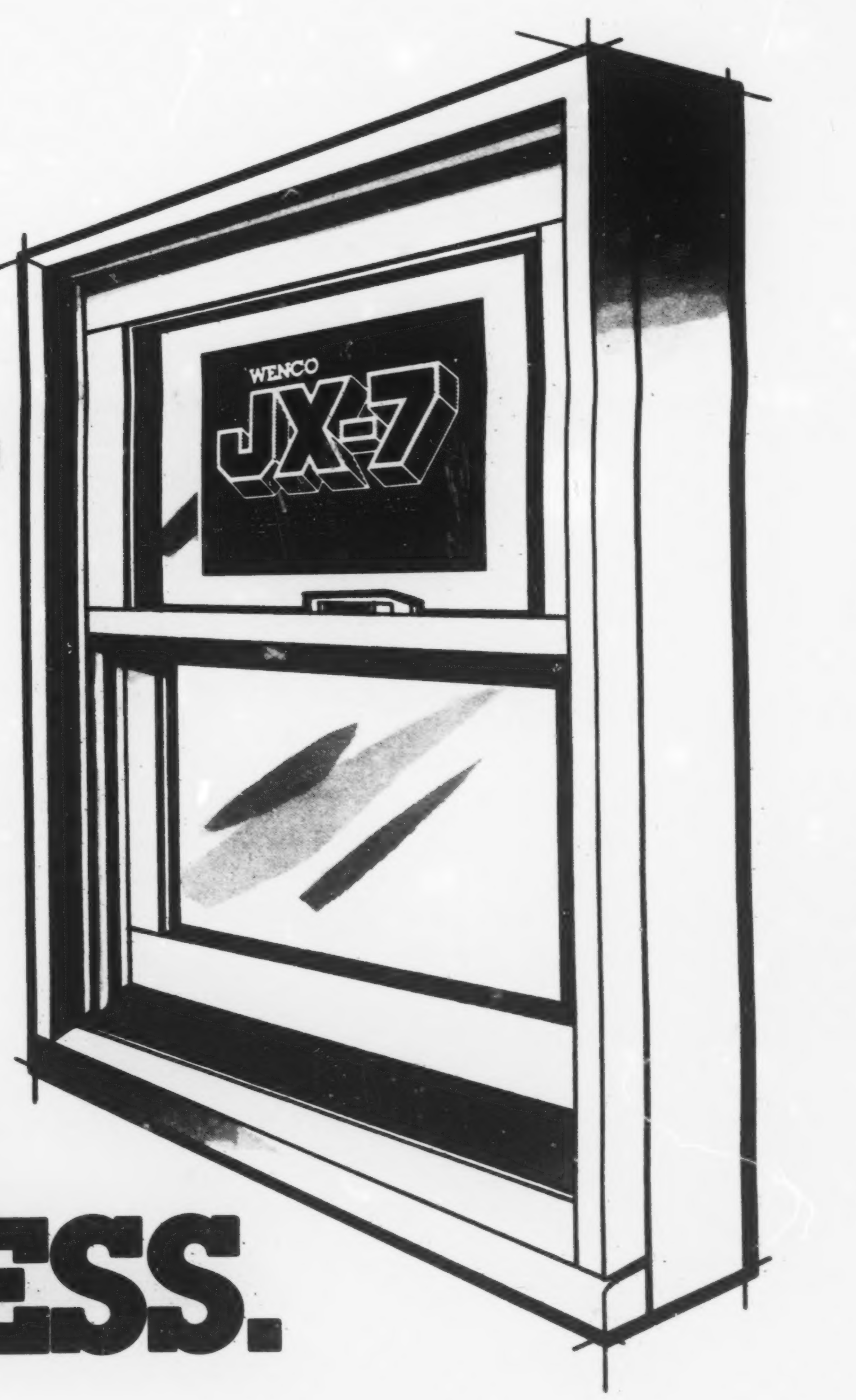
The metroplex was America's most active housing market in 1983, with over 33,000 single-family home permits issued. It also ranked third in residential resales, beaten only by Los Angeles and Chicago.

The amount of apartment and condominium building has soared in recent years. However, the burgeoning population seems to prefer moving from rented apartments to single-family houses rather than to condos, according to real estate market observers. Consequently, condominium building declined in 1984 due to lack of demand and overinflated prices.

Existing home prices shot up by almost 10% last year—double the national average. The National Assn. of Realtors expects Dallas' existing home prices to continue rising faster than the national average rate.

As with the rest of the country, total housing starts are expected to decline. However, with so many empty condos and an ever-increasing population, declining housing starts do not necessarily spell a falling rate for home sales, or decreasing retail sales for home centers, in the coming year.

The number of households in Dallas alone is projected to rise over 14% from 812,000 in 1983 to 949,000 in 1988. In addition, average household effective buying incomes are expected to rise by almost a third in the five years following 1983.



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Home centers target northern Atlanta suburbs

(Continued from page 27)

four-year-old Hartsfield Atlanta International Airport, located in south Atlanta—employing 23,000 people—has yet to stimulate real growth in the area. Industry, office buildings and residential development is heavily weighted in the north Atlanta region where nearly all of the city's home center stores are located.

The concentration of home centers in one area of the region has created a very competitive climate in the city, which many retailers say is saturated. "It will get tougher, most especially for the independents," commented Hunt Fulwiler, divisional vp of West Building Materials Centers, the 66-unit Atlanta-based chain with 14 area stores.

Competition is aggressive among the big home center chains in Atlanta represented by West, the Home Depot's 4 stores, Lowe's 7, Williams Brothers' 8, Handy City's 14, Wickes' 7 and 84 Lumber's 3.

Advertising dollars are spent largely on targeted segments of the population where direct mail circulars, tabloids and flyers dominate. Newspaper advertising is strong also in both suburban papers and in the city's only daily, *The Atlanta Journal/Constitution*. But the lion's share of public attention is still focused on The Home Depot, the warehousing retailer most other retailers in Atlanta admit is everyone's competition.

"We will get as aggressive as we need to get to keep our share of the market—as in advertising and service rather than just in price," declared Fulwiler.

Arthur Blank, president of Atlanta-based Home Depot, said the chain is committed to dominating the market here. He said he agrees with estimates that his company has between 35% and 40% of the market share here. "We will continue to expand with the market, obviously," he commented after announcing that 1985 will bring the addition of stores No. 5 and No. 6 in Atlanta, both of which will be 80,000 sq. ft. One is under construction in rapidly growing Gwinnett County across from the Gwinnett Place Mall, and the other is in bustling Cobb County.

Williams Brothers, an eight-unit Atlanta-based building materials company with 26 concrete plants and six block plants, is investing in Atlanta's strong economy. Jim Stansberry, store operations vp, said the company will position itself across from the Gwinnett Place Mall and in east Cobb County with its 50-50 contractor/retail stores. The company operates more as a "community building yard" with a four- to five-mile trading radius, something Stansberry said contributes to its success. In fact, he said his retail business has increased 10% per year since The Home Depot entered the market.

Commenting that "the DIY business is thriving in Atlanta," Gerry Smith, gm of the Marietta-based Smith Hardware Co. (no relation), has announced the hardware/gift store is opening a new location this summer in another thriving suburb, north Fulton County.

What Smith Hardware and other smaller chains have done to assure themselves a viable segment of the market, has been to refine their businesses to suite the neighborhood they serve.

For example, Smith said his new store will have a "feminine" flair, catering to the wealthier customer interested in gift items. The company's Decatur store, however, is a "male-oriented" store specializing in hard lines.

Still others, like King Hardware a four-unit company, Ply-Marts, with two Atlanta locations, and the four-store Lummus Supply Co., have learned that emphasizing the company's service and high quality merchandise wins loyal, longstanding customers.

The lucrative home center industry is only one part of a growing Atlanta economy. As a whole, Atlanta is a bustling town that in 1984 created between 70,000 and 75,000 new jobs in all sectors.

James Pihera, economist with Citizens and Southern National Bank, noted the economic activity in the 18-county Atlanta region accounts for 45% of the state's total economy. The area also boasts that 490 of the Fortune 500 companies have offices in the city.

Ranked in population, the 10th largest American city, with 2.3 million people, the Atlanta region is essentially located in north Georgia with boundaries that stretch almost to Macon in central Georgia, in the south; east to Athens; west to Alabama, and north to the north Georgia mountains.

The high concentration of people, the diversity of the job market and its relatively high income level have given the Atlanta region the lowest unemployment rate in the state.

Atlanta home centers

Company	No. of stores
West Bldg. Mat'ls	14
Williams Bros.	8
Handy City	7
Lowe's	7
Wickes	7
Home Depot	4*
Lummus Supply	4
Smith Hardware	4
King Hardware	4
84 Lumber	3
Ply-Marts	2

*2 stores planned in 1985
Source: *NHCN* research

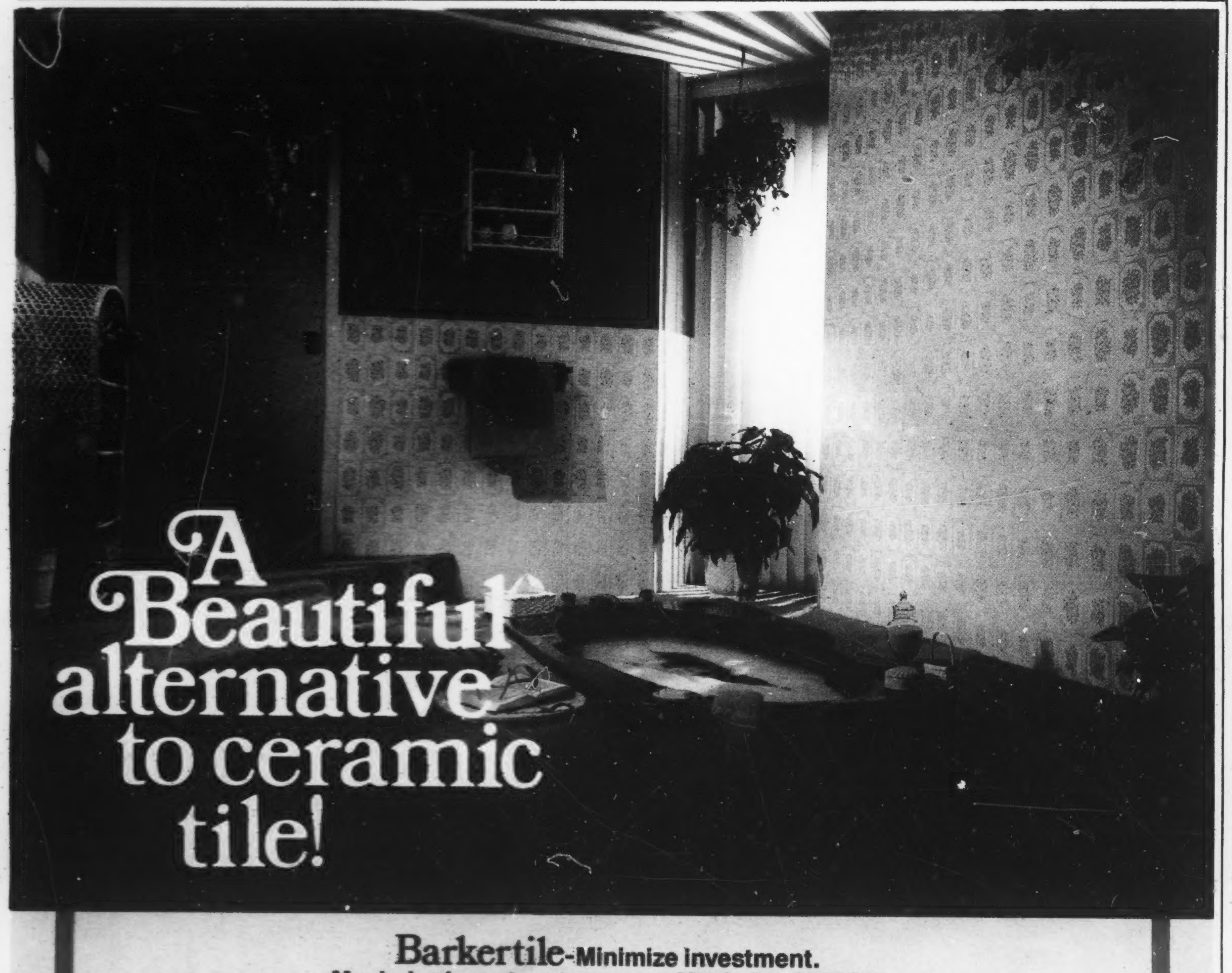
"What we have is Atlanta and the rest of Georgia," commented John Ard, Georgia labor department spokesman. Georgia's unemployment rate for September, the most recent figures available, stood at 5.8% compared to Atlanta's 4.5%.

Atlanta's services-based economy gives it a natural cushion against recession. According to Department of Labor statistics, the three largest employers of Atlantans are the retail/wholesale trade, with 330,700 people, 210,600 of whom are employed in the retail sector; the other services category, where 258,800 people are employed and government, at 169,700 workers.

In what many have termed a flat year for new housing starts, Atlanta is projected to record a 13.5% gain of 51,305 new starts, according to the National Assn. of Home Builders. The 18-county area is predicted to chart 5,115 more permits in 1984 than it did in 1983.

The Home Builders Assn. of Metropolitan Atlanta—which tracks activity of only 11 metro counties—reported 34,816 new starts for the first 10 months of the year. Its statistics include single-family townhouse, multi-family and condominium permits.

New home construction, as with the rest of the region's development, is not uniform throughout the area. The boom county of Gwinnett produced 10,649 new starts through October compared to Forsyth County, located northeast of the city, which tallied just 573 new permtis for the same period.



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Mr. HOW plays warehouse role in Philadelphia story

PHILADELPHIA — Mr. HOW has entered the battle for the lucrative Philadelphia market establishing its beachhead right in Hechinger's front yard.

On Nov. 29, the Florida-based chain opened the doors to two warehouse stores—in Turnersville N.J., and Langhorne, Pa. The Langhorne unit is located in the Oxford Valley shopping center, which is already anchored by a Hechinger.

On Friday night, the day after Mr. HOW's grand opening, business was booming at the 80,000-sq.-ft. Langhorne location. Parking spaces were at a premium and browsing room in the warehouse store was minimal. At the nearby Hechinger, on the same night, salesmen outnumber customers, prompting a Hechinger employee's remark that "business has been off for the last few days because of the HOW opening."

Customers were attracted to Mr. HOW by curiosity and by prices such as Westinghouse light bulbs for 9¢ each, Glidden latex ceiling paint at $3.97 a gallon and Armstrong 12-ft.-wide vinyl flooring for $6.75 per square yard.

Saleshelp was plentiful as over 100 of the total 140 yellow-shirted Mr. HOW workers were on duty that evening. Even though most of the HOW people appeared to be part-timers, they were well indoctrinated. When asked about the swarm of workers, one young man in the lighting department commented, "We're service-oriented . . . service is the name of the game."

Naturally, these observations of a particular market segment were made during the hoopla surrounding a home center's grand opening. When the dust clears in this part of Bucks County and business settles down to normal at Mr. HOW, nearby home centers will certainly be on the counterattack. Nevertheless, the entry of Mr. HOW to the Philadelphia market adds a new dimension to home center retailing in the area.

The arrival of this warehouse chain in the region is another change in a market that has witnessed many phases and fads over the years. Ron Kaleck, owner of independent Ronnie's Home Decorating Center, has over 20 years in the business. He commented: "In Philadelphia, 20 years ago, a guy could do well just selling paneling, suspended ceilings, molding and some flooring. But in the early 1970's, Channel and Grossman's entered the city and the competition got tough."

Independents like Kaleck had to adapt or go out of business. Kaleck dropped plywood, lumber, gypsum and roofing materials and loaded up on decorative items. "We've had to find our particular niches because we couldn't compete against the chains across the board," he added. Over the years, Mr. Goodbuys, 84 Lumber, Rickel, Hechinger and Wickes moved in. Both Rickel and Hechinger have used the market to experiment with warehouse retailing.

What attracted Mr. HOW and other chains to Philadelphia? Pat Sher, Mr. HOW's president, answered: "Philadelphia is the kind of large metropolitan area with the population that we're looking for. Near our Langhorne store, for instance, you have a large amount of existing housing units in Levittown as well as the ongoing construction of more residential housing nearby."

But the population and housing figures do not even tell a small part of the Philadelphia story. The Sales and Marketing Management 1984 Survey of Buying Power projects an unimpressive 0.06% growth in the population of the eight county Philadelphia metropolitan area between 1983 and 1988. The National Association of Home Builders estimates that 1984 new housing starts were up 5.3% over 1983 and the figure will go up another 8.7% for 1985—less than thrilling numbers.

Some other statistics, though, point to the attractive opportunities for home centers

(Continued on page 34)

The Philadelphia market at a glance

Demographics	1978	1983	% change	1988ᴾ	% change
Population (thousands)	4,792.30	4,725.10	− 1.400	4,758.00	+ 0.069
Households (thousands)	1,636.90	1,696.50	+ 3.600	1,761.30	+ 3.800
Effective buying income (billions $)	34.32	49.89	+45.400	78.65	+57.600
Average household effective buying income (thousands $)	18.68*	29.41	+57.400	44.65	+51.800
Total retail sales (billions $)	17.14	22.40	+30.700	34.800	+55.300
Per household retail sales (thousands $)	10.47	13.20	+26.100	19.76	+49.700
Building materials/hardware sales (millions $)	644.80	647.40	+ 0.040	NA	—

Source: Sales Marketing Management Survey of Buying Power© *median HHEBI ᴱ—estimate ᴾ—projection NA—Not available

Housing starts	1982	1983	% change	1984ᴱ	% change	1985ᴾ	% change
Total	8,330	15,188	+82.3	16,000	+5.3	17,400	+8.7
Single family	5,630	10,990	+95.2	12,000	+9.2	12,960	+8.0

Source: National Assn. of Home Builders

Existing Home Prices	1982	1983	(3rd Q) 1984
Median sales prices of existing single-family homes (thousands $)	58.1	59.6	59.5

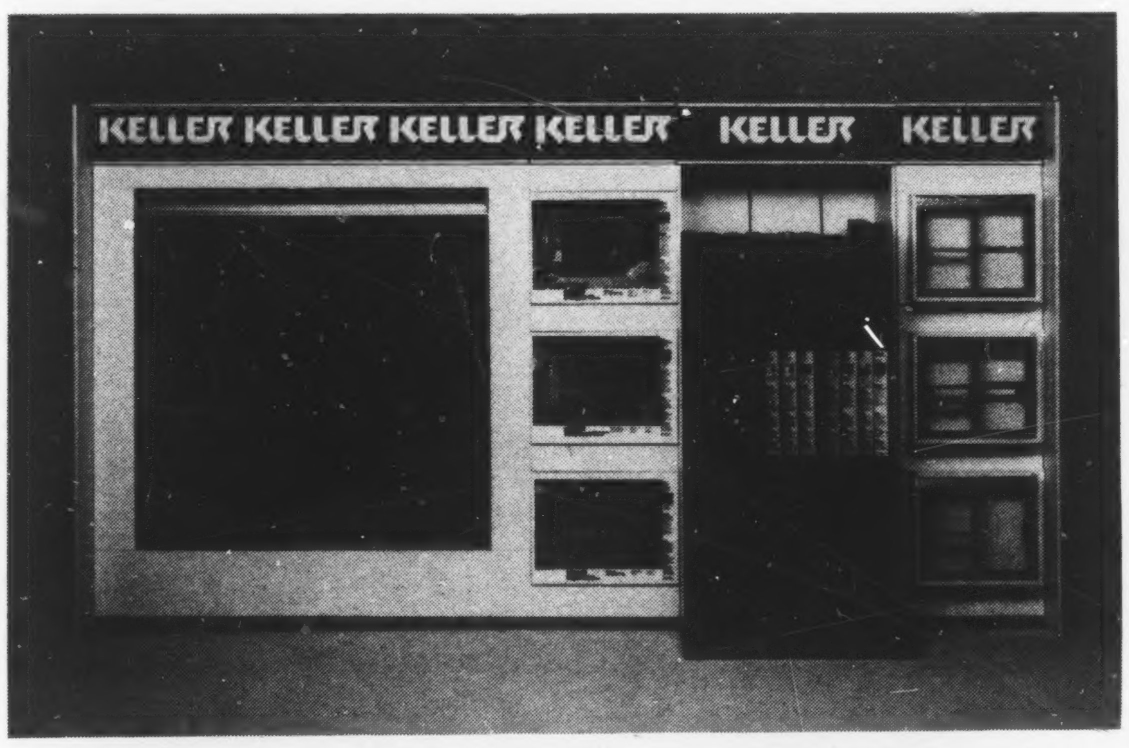
Source: National Assn. of Realtors, local real estate boards

NHCN charts

Philadelphia home centers

Company	No. of stores
Channel	22
Grossman's	9
Rickel	6
Hechinger	5
Mr. Goodbuys	3
Mr. HOW	2
84 Lumber	2
Wickes	2

Source: *NHCN* research



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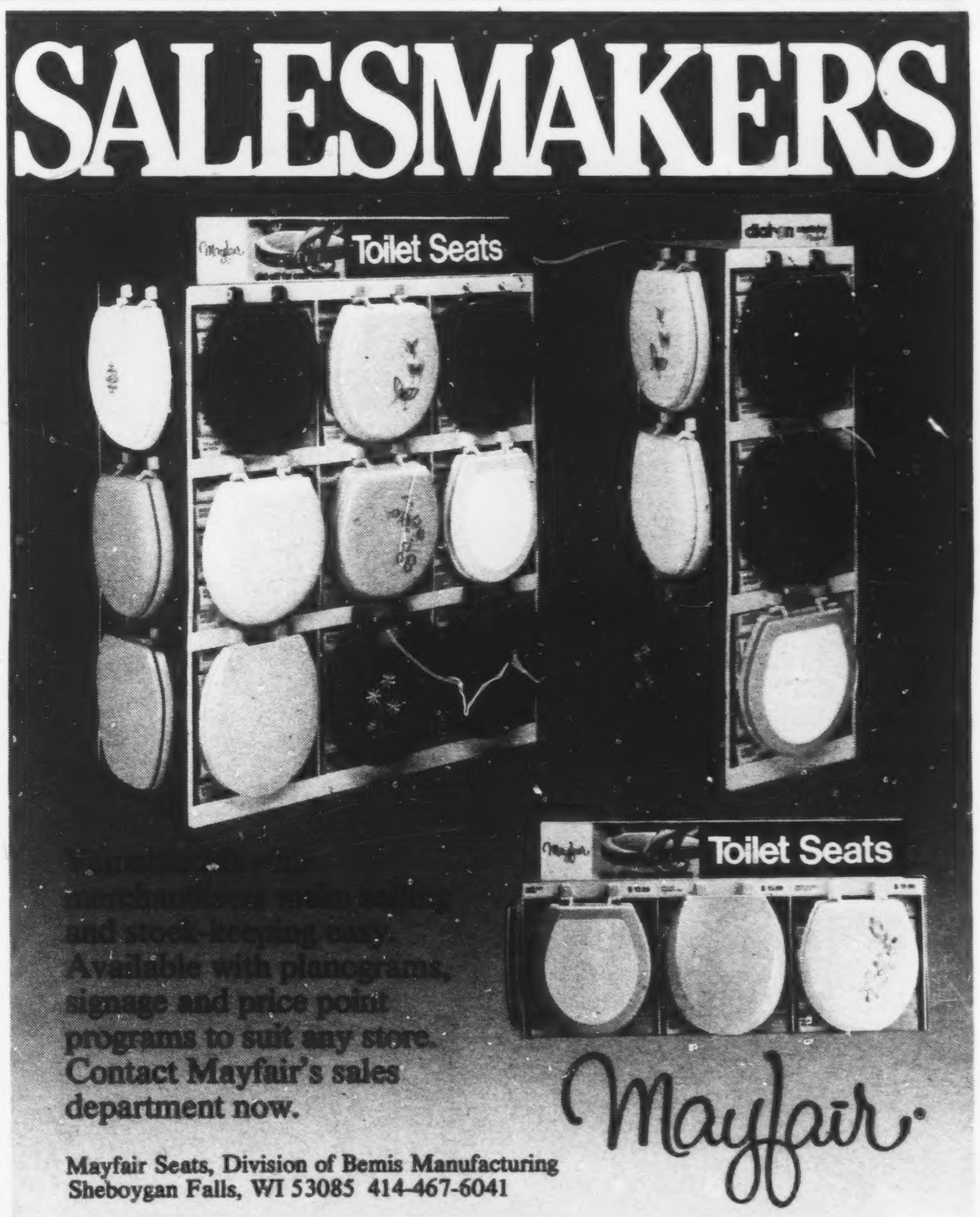

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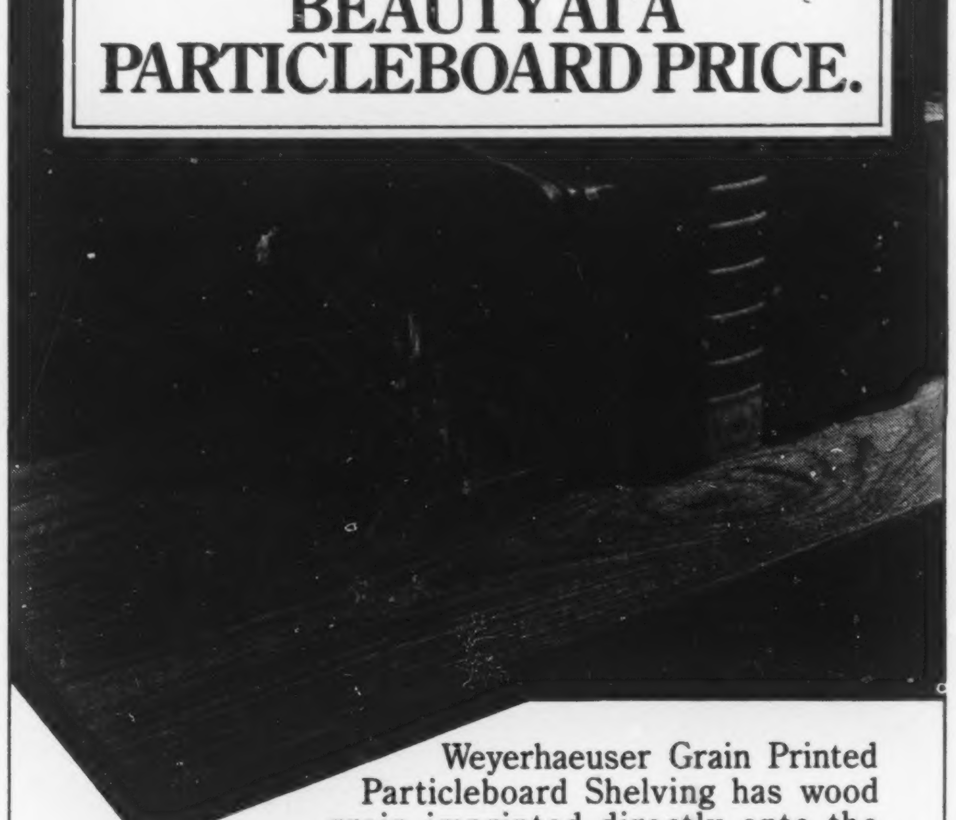

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NHCN's 1985 METRO MARKET OUTLOOK

Nashville heats up as 2nd tier battleground. . .

NASHVILLE — When Barbara Murphree heard that Homecrafters Warehouse was holding a grand opening for an 80,000-sq.-ft. store in this city last fall, she drove 30 miles from her home in White Bluff, Tenn., to shop there.

In many ways, she typified the new category of shopper being catered to by the growing number of home centers here. After hiring a contractor to build the shell of their new home, she and her husband decided to do the interior work themselves.

"I'm making the decisions on what items to buy," she said. "My husband is just O.K.-ing the prices."

Shoppers like Ms. Murphree have more store choices than ever before in Nashville, one of the healthiest cities, economically, in the state. Over the past year Homecrafters Warehouse opened two stores, while Lowe's increased its presence in the market by purchasing four Homecrafters home centers and closing its existing store. Mr. HOW Warehouse is about to open its first unit here, with another unit anticipated.

The rash of new home centers has taken Nashville by surprise. For years, the city was served by more traditional outlets from Lowe's, Handy City, Homecrafters, 84 Lumber and some two dozen independents. Now, in a reflection of a larger effort on the part of the home center industry to exploit second tier markets below the top 50 metropolitan areas, the picture is changing, practically overnight.

"I am going to shop at some of the other stores before I buy," concluded Ms. Murphree, with the idea of finding the best quality merchandise. "For me, selection is more important than price."

Home centers in the city see the female shopper as an important key to their success in this growing competitive market.

"Women are making more decisions about what goes into their homes," said Larry L. Meyer, retail sales manager at a Lowe's store, just south of

(Continued on page 35)

The Nashville market at a glance

Demographics	1978	1983	% change	1988^p	% change
Population (thousands)	796.60	889.50	+11.7	953.10	+ 7.2
Households (thousands)	278.60	320.70	+15.1	349.70	+ 9.0
Effective buying income (billions $)	5.15	8.95	+73.8	15.31	+71.1
Average household effective buying income (thousands $)	15.99*	27.92	+74.6	43.79	+56.8
Total retail sales (billions $)	3.25	5.04	+55.1	8.35	+65.7
Per household retail sales (thousands $)	11.67	15.72	+34.7	23.88	+51.9
Building materials/hardware sales (millions $)	182.20	212.3	+16.5	NA	NA

Source: Sales Marketing Management Survey of Buying Power® *median HHEBI ^{e}—estimate ^{p}—projection NA—Not available

Housing starts	1982	1983	% change	1984^e	% change	1985^p	% change
Total	2,189	6,720	+207.0	10,600	+57.7	9,600	−9.4
Single family	625	1,252	+100.3	1,160	− 7.3	1,100	−5.2

Source: National Assn. of Home Builders

Existing Home Prices	1982	1983	(3rd Q) 1984
Median sales prices of existing single-family homes (thousands $)	NA	61.0	64.0

Source: National Assn. of Realtors, local real estate boards

NHCN charts

Mr. HOW plays warehouse role

(Continued from page 31)

in Philadelphia. The S&MM Survey places the market for building materials and hardware in the Philadelphia area at $647.4 million in 1983. This makes the Philadelphia area the 10th largest building materials and hardware market, ahead of the hot Atlanta market, which ranks 11th. Also, average household effective buying income and total retail sales should both increase more than 51% from 1983 to 1988.

The concentration of the four home centers in the Langhorne-Fairless Hills area is typical of many Philadelphia suburbs. These home centers draw customers from older communities like Levittown and Fairless Hills as well as from the growing, more affluent Newtown and Yardley communities. In addition, the chains attract consumers from inside Philadelphia, who can use either interstate 95 or Route 1 to easily reach the city's outskirts, and from southern New Jersey.

Mr. HOW joins seven other home center chains as well as numerous independents in the Philadelphia suburbs. Channel, one of the first home centers in the area almost 10 years ago, currently operates 16 suburban locations. Grossman's, the second largest chain in the market, has eight suburban units.

Rickel currently operates six stores in suburban Philadelphia, including a newly opened warehouse store in Warminster, Pa. Rickel president Chuck Davis says, "Philadelphia is a great market for us. In the city, you have tremendous population density. As you move out to the suburbs, you start trading density for higher income."

Hechinger already operates four stores in the market. Mr. Goodbuys, headquartered in Philadelphia, recently opened its first suburban store in Springfield, Pa. Rounding out the suburban list are Wickes and 84 Lumber each having two locations.

While most of the home center chains have stayed in Philadelphia's more affluent suburbs, a few have opened stores within the city itself. "Philadelphia, like many large cities, presents us with difficulty in securing good retail locations," said Hechinger executive vp Philip Mansfield. Rickel's Davis added that higher real estate prices have made many good, inner city locations prohibitive.

Channel is the dominant chain within the city's limits, operating six units. Mr. Goodbuys now has two stores there while Grossman's and Hechinger have one each. The Hechinger unit, which was scheduled to open this month, is that chain's first penetration of inner Philadelphia.

The flight of businesses from Philadelphia during the 1960's and 1970's appears to be reversing itself. Major companies such as Bell Atlantic, CIGNA Corp. and Gould have decided to remain. Other firms are placing major investments in the city

As a reflection of the city's upbeat business climate and the attractive demographics of the eight county area, home center chains expect to place more stores in the region. Roger Harrison of Mr. Goodbuys says his company plans to open another store in New Jersey's Camden County early in 1985 and is close to acquiring several more sites in the Philadelphia market. Hechinger plans to open another suburban store—in Norristown, Pa.—within the next several months. Rickel's Chuck Davis revealed that the chain will open "two or three suburban stores in 1985." These new units, in addition to the two new HOW stores, are guaranteed to further heat up an already hot home center market. In this industry, Philadephia may not seem like the City of Brotherly Love.

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. . . economic diversity spurs rash of openings

(Continued from page 34)

downtown, that was recently enlarged to 21,500 sq. ft. and remodeled to attract just that category of shopper. "A lady came in last month and asked for a screen door, then said, 'is that something I can install myself?'"

If the competitive nature of the market has increased dramatically over the past year, home center operators feel confident that the market can handle the stores that are being added. Not only is the market's average effective per household buying income (EBI) a relatively healthy $27,920, according to Sales and Marketing Management's 1984 Survey of Buying Power, but the diversity of the regional economy should buffer the area from sudden declines in any single industry.

"None of the various industries that are active here are interrelated in such a way that the city will go down the tubes if any one fails," said Don Davis, area general manager of the Nashville region for Lowe's, the $1.7 billion chain of home centers based in North Wilkesboro, N.C.

Other home center operators have commented favorably on the economic diversity of the city. The facts bear them out. No single category of employment accounts for more than 25% of the region's workforce, and most account for considerably less, according to the Tennessee Department of Employment Security.

Home centers should continue to benefit from a healthy economy in the region. The area's unemployment level is 4.5%.

"Nashville is considered a much better place to live than some other cities in the Southeast, such as Memphis, for example," said Steve Wiley, executive vice president for Homecrafters Warehouse, Birmingham, Ala., which now operates two warehouse home centers in the town. Wiley said Nashville has less of a blue collar atmosphere and more of the cultural flavor that tends to accompany an economy oriented to a large extent toward financial and educational institutions.

Home centers are both beneficiaries and victims of the healthy economy here. While the sales floor may benefit in terms of customer count, management stews over finding enough employees to service the public.

Wiley of Homecrafters Warehouse said, "it's tough finding people" in the Nashville market, and Davis of Lowe's reported that the inevitable raiding has occurred because of the influx of new stores.

"With Mr. HOW Warehouse coming to town, our store employees were getting hit with job offers [in late November 1984]," said Davis. "I know of only one employee that we lost to them."

In a market with high employment, Davis had his own work cut out for him getting enough employees for three new stores earlier last year. Essentially, it meant hiring 249 employees over a six-week period. "We didn't have a place to steal people from when we got started," noted Davis wryly, adding that the big warehouse operators like Homecrafters and Mr. HOW were not yet in town. Although Handy City was operating four stores, Davis said that their employees did not have the product training needed by Lowe's.

Home center operators said they were not particularly concerned about the sudden leveling of single-family housing starts last year after the doubling of such starts in 1983 over the previous year.

"When housing starts go down, people start fixing up," commented Wiley of Homecrafters Warehouse.

"I feel the leveling of single-family housing starts was due to the rise in interest rates in the region," said C. W. Foster, president of Kirkpatrick Lumber, a veteran independent outfit in the city that primarily sells roof trusses for new construction. "Since August [1984] it has been at 14%, but recently [in late November 1984] it dropped to 11.7%. Some say interest rates for mortgages will go to the single digits. So 1985 may be brighter, in terms of single-family housing starts, than I thought."

While the home center chains maneuver for their share of the Nashville pie, the old-time independents watch the skirmishes under way with a sense of surprising calm, feeling that there is enough market to go around.

"I thought that the new Homecrafters Warehouse moving in a few miles away from my store would hurt sales, but it didn't," said Brian Crane, president of Inglewood Hardware and Lumber, which has been operating since 1946 near downtown, and which makes 60% of its sales to DIYers.

"I believe there will always be room for the independent," said Billy Kay, president of Kay's Ace Hardware, located a few miles south of the new Lowe's store in Hermitage, a Nashville suburb. "Sales were up to par this year, compared to last.

"Whether business will be as good next year, we'll see."

'I'm making the decision on what items to buy. My husband is just O.K.-ing the prices.'

—Barbara Murphree,
shopper at Homecrafters Warehouse, Nashville

Nashville home centers

Company	No. of stores
Lowe's	4
Handy City	3
84 Lumber	3
Homecrafters Warehouse	2
Mr. HOW	1

Source: NHCN research

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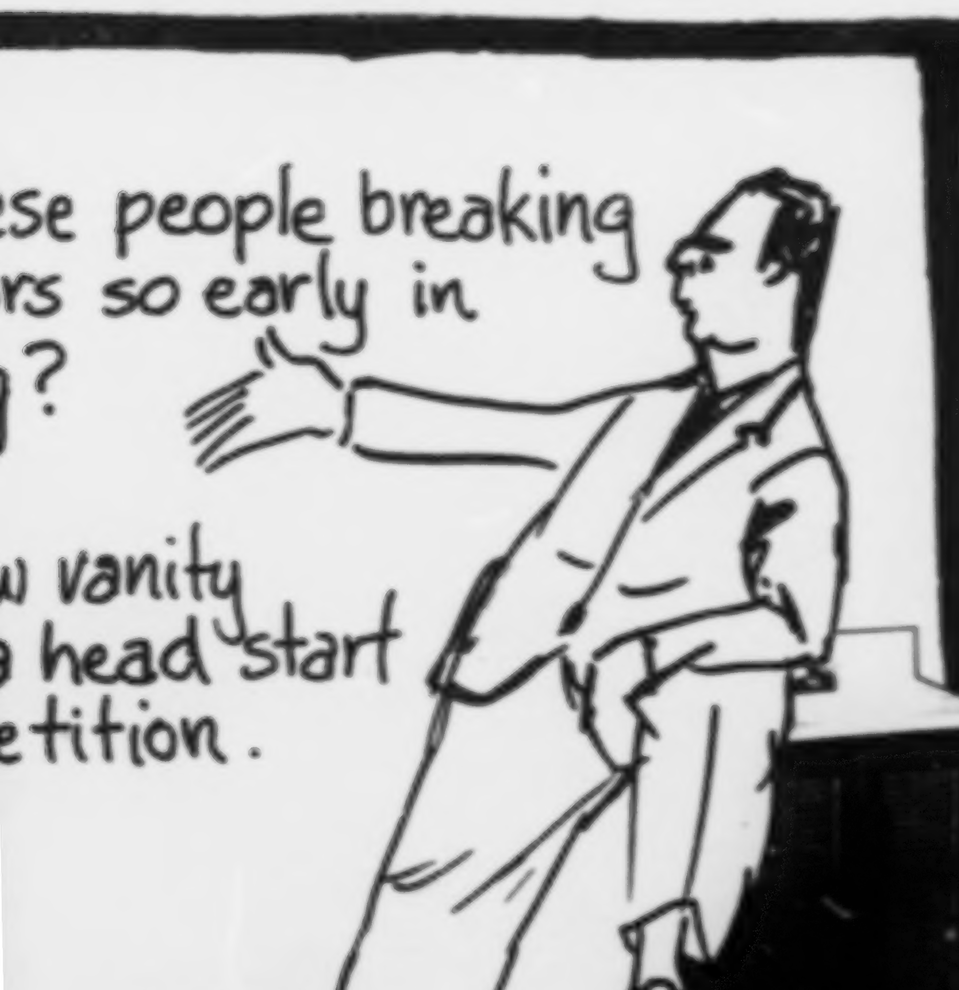

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NHCN's 1985 METRO MARKET OUTLOOK

Denver descends from clouds after 70's skyrocketing growth

DENVER — The mile high city, 5,280 ft. above sea level, has come down from the clouds in recent years, shifting from what one retailing executive said was "almost uncontrolled growth" in the 1970's to a more moderate, but sustainable, expansion.

The days when Denver's population increased by more than 30%, or 381,357, in a decade, as it did between 1970 and 1980, appear to be over. And the market is now wrestling with a host of problems, including air pollution, traffic congestion, industrial overdevelopment, and an economy that has sagged from the decline in the energy industry.

However, this six-county, 4,600 square mile market remains a magnet for the young, well-educated and upwardly mobile—the "Yuppies," as they were dubbed in connection with former Colorado Sen. Gary Hart's presidential bid—looking to improve both their standard of living and "quality of life."

The market has also been a lure for home center chains like Payless Cashways, Handy Dan, Pay 'N Pak, Economy Lumber, 84 Lumber, Sutherland Lumber and newcomers like Homecrafters Warehouse and Tool King, that look to cash in on a greater share of the retail lumber, building materials and hardware pie which, over the past five years, has grown exponentially.

Since 1978, retail sales of these products in Denver have soared 200% to $385 million in 1983, according to date from Sales and Marketing Management's 1984 Survey of Buying Power. These gains, in large measure, can be attributed to the considerable expansion of several home center chains over that period. And, while this rate of growth is not expected to continue through 1990, dealers are optimistic about their stores' future sales and profitability.

Hugh M. Woods, whose stores here were merged with Payless Cashways units in Denver when Payless acquired Woods for $71 million in November 1983, is the undisputed leader, both in terms of price and market share, which is estimated at about 30%. It opened its 17th Denver area store in October, a 20,000-sq.-ft. unit that was called a "hybrid" by Payless' regional executive Stan Boyd.

He explained that Payless has beefed up the merchandise mix in the store to 13,000 sku's, adding broader selections of ceiling fans, toilets, wallpaper, light fixtures and other items. Boyd said that at least half of the acquired Woods units would get similar merchandise facelifts by the end of 1985.

"Denver is not a junk market, and consumers are very concerned about quality here," he stated. "The market has always been price competitive, so customers take low prices as a given."

"Consumers are just getting smarter," added Don Cohen, president of Tool King, a seven-unit tool specialty chain whose sales rose 20% to $7.5 million in 1984, ranking it 162 among the top 500 small companies listed by *Inc.* magazine. "Everything's on sale in Denver all the time, but the $300 purchase of quality goods is not that unusual anymore."

Denver home centers

Company	No. of stores
Hugh M. Woods	17
Handy Dan	7
Tool King	7
Pay 'N Pak	4
Economy Lumber & Hardware	3
Homecrafters	2*
84 Lumber	1

*Has announced opening of three more units in 1985
Source: *NHCN* research

That quality has become a marketing issue in Denver does not mean, however, that pricing strategies have gone by the boards. While Denver retailers can take solace in Payless' decision not to expand Woods here this year, they can also expect the chain to change ahead with its promotional assault on the market.

NHCN estimates peg Woods' advertising budget in Denver at around $3 million in 1984, far higher than any other competitor. Its presence was ubiquitous in all media, as manifested by the close to one million ad lines it ran with *The Denver Post* alone, compared with about 700,000 run by Handy Dan for its seven units and 300,000 by Pay 'N Pak for its four Denver outlets.

"Woods has been the price leader here for a long time, and with Payless, it can pretty much dictate what prices in Denver are," said John Clark, the *Post*'s retail ad manager.

The price war that Payless and Woods waged has subsided a bit, though. "The acquisition ended World War III, in which our stores got caught in the crossfire," noted Steve Stookesberry, a vice president for Economy Lumber and Hardware, which is currently renovating all three of its stores to attract more retail customers.

With the Woods stores having usurped the price advantage in the market, its competitors have sought other angles, like Economy's remodeling efforts, to corral more market share. These have included a renewed emphasis on customer service (thought by most to be Woods' Achilles heel, especially as all the former Payless units are converting to self-service lumberyards); varying their stores' product mixes, and accelerating their expansion plans.

"In Denver, customer service is everything," said Jerry Dick, who manages Homecrafters' 79,500-sq.-ft. store in the northwest suburb of Westminster, which has been getting around $35 for each retail sale. This unit has 87 employees, and just began accepting American Express.

The problems Homecrafters had earlier this year with structural damage to the roof trusses in its Aurora unit, which forced the company to close that store temporarily, have been resolved, and the store has been reopened to service what is thought to be the fastest growing county—Arapahoe—in Denver's southeast quadrant.

The Birmingham, Ala.-based chain is scheduled to open three more warehouse stores here this year, a move that will tighten up Denver's market share race considerably. The only thing that might rein in Homecrafters expansion, though, is its failure so far to turn a profit: for the nine-month period ended Oct. 31, the chain lost close to $2 million, part of which was attributed to enormous start up costs for its new warehouses.

Clark of *The Denver Post* claims that following Homecrafters' initial media blitz, it has "greatly curtailed" its advertising here.

In an effort to pre-empt Homecrafters' arrival and Woods' overall impact, Handy Dan opened a warehouse of its own last February, a 75,000-sq.-ft. store in Wheat Ridge carrying 25,000 sku's in a more traditional layout than the organized chaos one finds at Homecrafters.

"If you build up a name and

(Continued on page 37)

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Denver begins to address post-boom economics

(Continued from page 36)

customer loyalty in Denver, as we have, you will do fine here, no matter who invades," said Tom Morgan, Handy Dan's district manager here. The chain is emphasizing "the basics" in its stores' product mix, "and that we are in stock all the time," said Morgan.

He did not discount the potential impact Homecrafters may make on this market, however, and to counter this, Handy Dan will be stepping up its advertising this year "in all media."

It appears other chains are reacting more aggresively to the more heated competition in Denver as well. Diamond Lumber is in the process of remerchandising and, in some cases, remodeling all of its 13 Colorado stores, including those in Denver, to generate more consumer business, which currently accounts for only 15% of their sales. And Pay 'N Pak, according to one of its area store managers, is reportedly planning to add new stores in the market, although when and where was not immediately known.

On the down side, 84 Lumber closed its Broomfield store and consolidated its merchandise into its lone Denver unit, a mostly contractor yard to the west in Golden. Sutherland Lumber shot down its inner city store last year, but continues to operate four units around Denver's periphery.

In fact, Sutherland plans to experiment with a new retail concept in its Colorado Springs unit that, according to company co-owner Craig Sutherland, will add 50% more floor space and improve the depth in several product categories, particularly tools and other higher-end items. The chain's other three area units are expected to get the same treatment.

Sutherland's actions show that the prosperity and competitiveness that is evident in Denver is rubbing off on its surrounding markets. Other home centers recognize this and are doing some of their expanding out of town. Handy Dan opened two "super stores" in Colorado Springs in November; Economy has just moved into a new, 24,000-sq.-ft. store in Greeley, to the north of Denver, and Fort Collins has become a vibrant home improvement market.

All this home center activity is taking place against a backdrop of a market—Denver—that is really in transition, one whose future growth appears assured if it can solve what Bill Dowd, Diamond's divisional vp, referred to as "isolated drawbacks."

Denver and its environs still form a booming market. Between 1980 and 1984, its population increased by 175,000, or 11%, according to Chamber of Commerce data. Its citizenry is young—average age around 30—and ranks as the second most-educated in the country, according to a study on the six counties of Denver conducted by Colorado National Timeshares Inc., and the University of Colorado Graduate School of Business Administration.

That study, which assessed the market from 1980 to 1982, and projected through 1990, asserted that Denver is the fifth leading population growth market in the United States, and saw the highest personal income increase among the top 25 metro markets in America.

Its unemployment rate has hovered around 4%, and the market is being propelled by the service, trade, Government and manufacturing industries that account for three quarters of its jobs. Its total workforce—including the Boulder market—is expected to expand by 35% to 1.13 million by 1990.

Among all metro markets, Denver ranks 26th in total retail sales, 22nd in building material and hardware purchases and 23rd in effective buying power, as recorded by the S&MM Survey. And, despite the anticipated declines over the next two years in single family home construction, Denver is projected to be a strong, consistent market for home building of both single- and multi-family dwellings, through the rest of the decade.

The southeast and southwest sections of the city are where it is growing the fastest, and its suburbs rank among the 50 wealthiest in the nation.

While the market's prospects look bright, Denver is not without its troubles. Despite its mountains and scenic splendor, Denver's air registers the highest levels of carbon monoxide in the country.

According to Jerry Allen, a research economist who authored this study, the city is now investigating the development of a mass transit system.

The Denver market at a glance

Demographics	*1978*	*1983*	*% change*	*1988^{P}*	*% change*
Population (thousands)	1,520.40	1,580.10	+ 3.9	1,792.40	+13.4
Households (thousands)	551.30	619.00	+ 12.3	721.20	+16.5
Effective buying income (billions $)	11.06	19.01	+ 71.8	33.33	+75.3
Average household effective buying income (thousands $)	17.95*	30.71	+ 71.1	46.22	+50.5
Total retail sales (billions $)	6.44	9.09	+ 41.1	15.75	+73.3
Per household retail sales (thousands $)	11.68	14.68	+ 25.7	21.84	+48.8
Building materials/hardware sales (millions $)	128.27	384.90	+200.0	NA	—

Source: Sales Marketing Management Survey of Buying Power© *median HHEBI ^{E}—estimate ^{P}—projection NA—Not available

Housing starts	*1982*	*1983*	*% change*	*1984^{E}*	*% change*	*1985^{P}*	*% change*
Total	18,997	30,731	+61.8	24,182	−21.3	20,843	−13.8
Single family	12,022	22,176	+84.5	16,365	−26.2	14,590	−10.8

Source: National Assn. of Home Builders

Existing Home Prices	*1982*	*1983*	*(3rd Q) 1984*
Median sales prices of existing single-family homes (thousands $)	76.2	78.3	85.0

Source: National Assn. of Realtors, local real estate boards

NHCN charts

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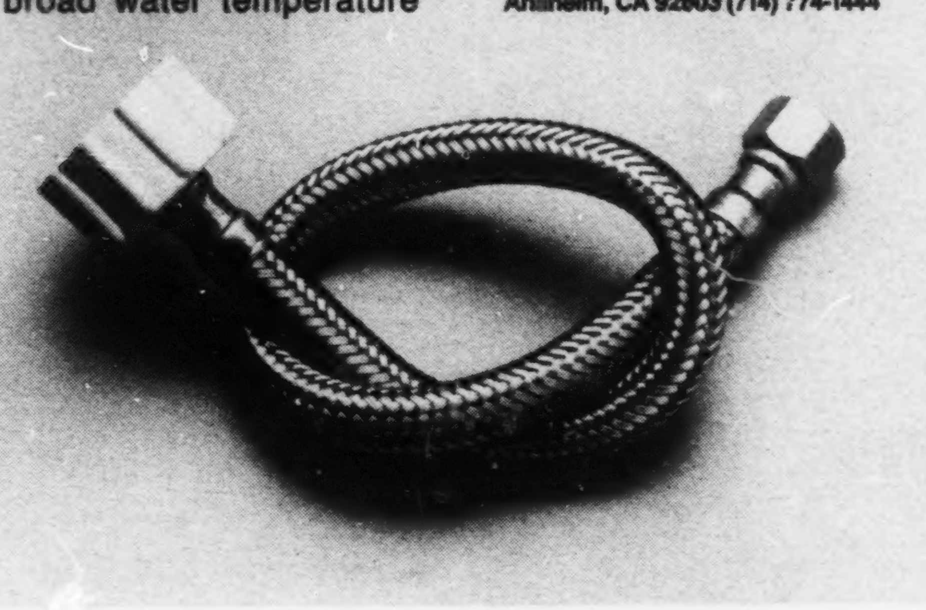

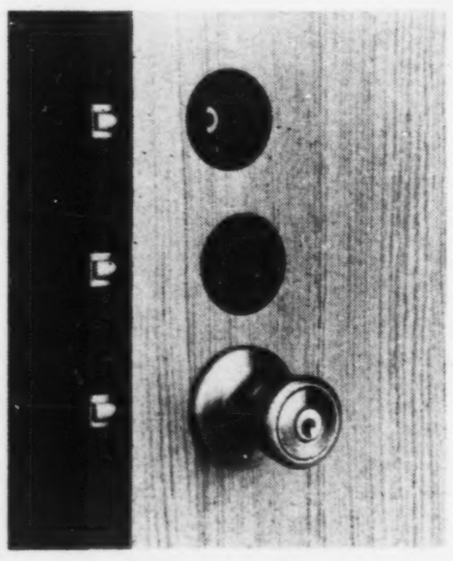

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Detroit market invasion signals chains' trek north

(Continued from page 1)

"We're really just coming out of our depression, and a lot of pent-up demand is starting to surface in increased sales," said Traskos.

The metro market is one of the largest in the country for building materials and hardware sales, tallying $816 million in 1983, according to Sales and Marketing Management. It ranks fourth in the country for number of households, which have median incomes that rank second only to Chicago's.

Over the past few years, the city has gone through a resurgence of sorts, and its overall unemployment rate has been reduced to 10.3% from a high of 22.3% in 1982. Much of this improvement comes from a boom in the auto industry, whose production is up an estimated 14% to 7.8 million units this year.

However, as proof of the area's erratic behavior, unemployment is estimated to rise to 13.3% in 1985, as United States trade restrictions are loosened for car imports. Already, United States car sales for the Nov. 21 to 30 period were off 14.2%, according to the Commerce Dept.

Detroit's housing market has fared much better of late, as single-family starts will run 6,778 units in 1984, compared to a dismal 1,730 units two years ago, according to National Assn. of Home Builder data.

Most of the home center expansion this year is expected to take place in Detroit's wealthy suburbs, where effective buying income, according to *S&MM* estimates, was $33 billion in 1983, giving this sector more buying power than suburbs in either New York or Chicago.

"Overall, it is an excellent market, outstanding, with a lot of opportunity for home improvement businesses, especially those with our concept," said Jud Walford, senior vp for Builders Square.

Detroit's economic pendulum is of less immediate concern to local retailers than the market's ability to absorb what may be unprecedented increases in selling floor square footage as a result of the warehouse invasion.

The Home Depot, which runs 25 units out of Atlanta, plans to open four 100,000-sq.-ft. warehouses in 1985 and two more in 1986. It has purchased four sites at an estimated cost of $4.5 million each, and will lease two more units with initial remodeling costs of $1.5 million.

The chain's Roseville unit here, in a middle-class, blue-collar neighborhood, will put Home Depot in the midst of existing home center operators. Forst City is half a mile away, and Erb Lumber just two miles. Similarly, Home Depot's Taylor site in the city's southern sector brings it into direct competition with Forest City again.

The timing of Home Depot's entry into Detroit was postponed, said Blank, until it had taken full advantage of expansion opportunities in the Sunbelt. "We went into warm weather markets first where we felt more comfortable," he explained.

To help the chain acclimate itself to cold weather retailing, it has hired former Wickes Lumber executive vp Bruce Berg as a merchandising vp for the market.

Builders Square, K mart's warehouse venture run by its newly acquired Home Centers of America, is already gaining experience in colder climes in its three Chicago units which opened in November. Unlike Builders' Sunbelt stores, the six proposed 80,000- to 100,000-sq.-ft. Detroit units will offer a wider selection of doors, windows, insulation and other building products.

"Although our products are different from North to South, there's not a great deal of difference in overall building materials sales," said Walford.

Despite Forest City's conversion to warehouses in Detroit, Walford sees that chain as being more aligned to the home center, rather than the warehouse, market.

(Continued on page 39)

The Detroit market at a glance

Demographics	1978	1983	% change	1988ᴾ	% change
Population (thousands)	4,384.60	4,346.90	+ 0.9	4,298.40	− 1.1
Households (thousands)	1,477.70	1,551.50	+ 5.0	1,580.30	+ 1.8
Effective buying income (billions $)	34.91	45.93	+31.6	68.26	+48.4
Average household effective buying income (thousands $)	21.60*	29.60	+37.0	43.60	+47.3
Total retail sales (billions $)	17.64	22.83	+29.4	33.36	+46.1
Per household retail sales (thousands $)	11.94	14.72	+23.3	21.21	+44.1
Building materials/hardware sales (millions $)	785.90	815.90	+ 3.8	NA	NA

Source: Sales Marketing Management Survey of Buying Power® *median HHEBI ᴱ—estimate ᴾ—projection NA—Not available

Housing starts	1982	1983	% change	1984ᴱ	% change	1985ᴾ	% change
Total	4,908	8,069	+ 64.4	10,294	+27.6	9,000	−12.6
Single family	1,730	5,702	+229.0	6,478	+13.6	6,000	− 7.4

Source: National Assn. of Home Builders

Existing Home Prices	1982	1983	(3rd Q) 1984
Median sales prices of existing single-family homes (thousands $)	47.5	47.5	48.0

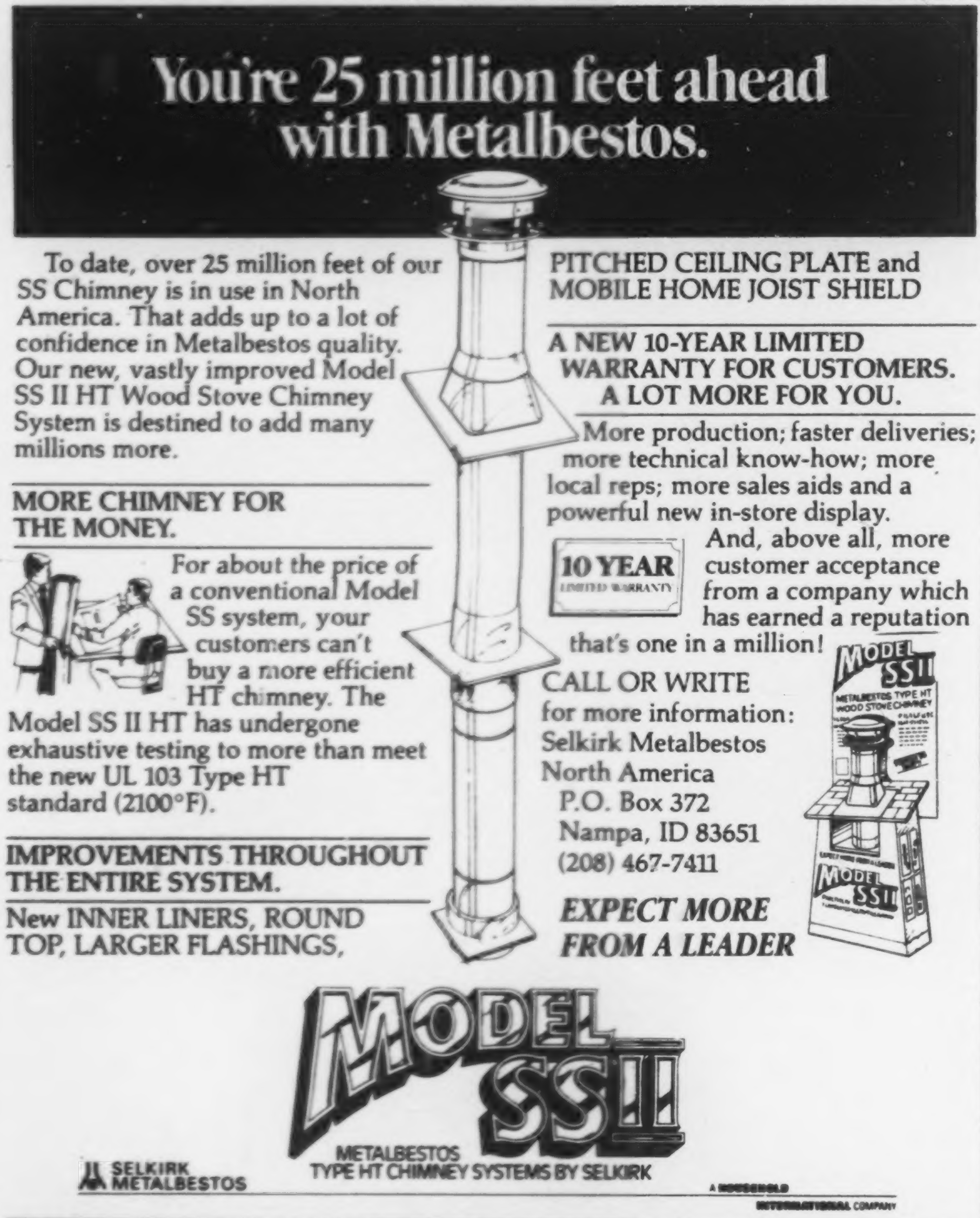
Source: National Assn. of Realtors, local real estate boards

NHCN charts

Detroit home centers

Company	No. of stores
ACO Inc. (hardware)	42
Church's Lumber Yards	12
Pine Lumber Cashway	12
Forest City	8
Erb Lumber	7
Home Depot	6*
Builders Square	6*
Meijer Thrifty Acres (discount)	6

*Proposed stores for 1985-86
Source: *NHCN* research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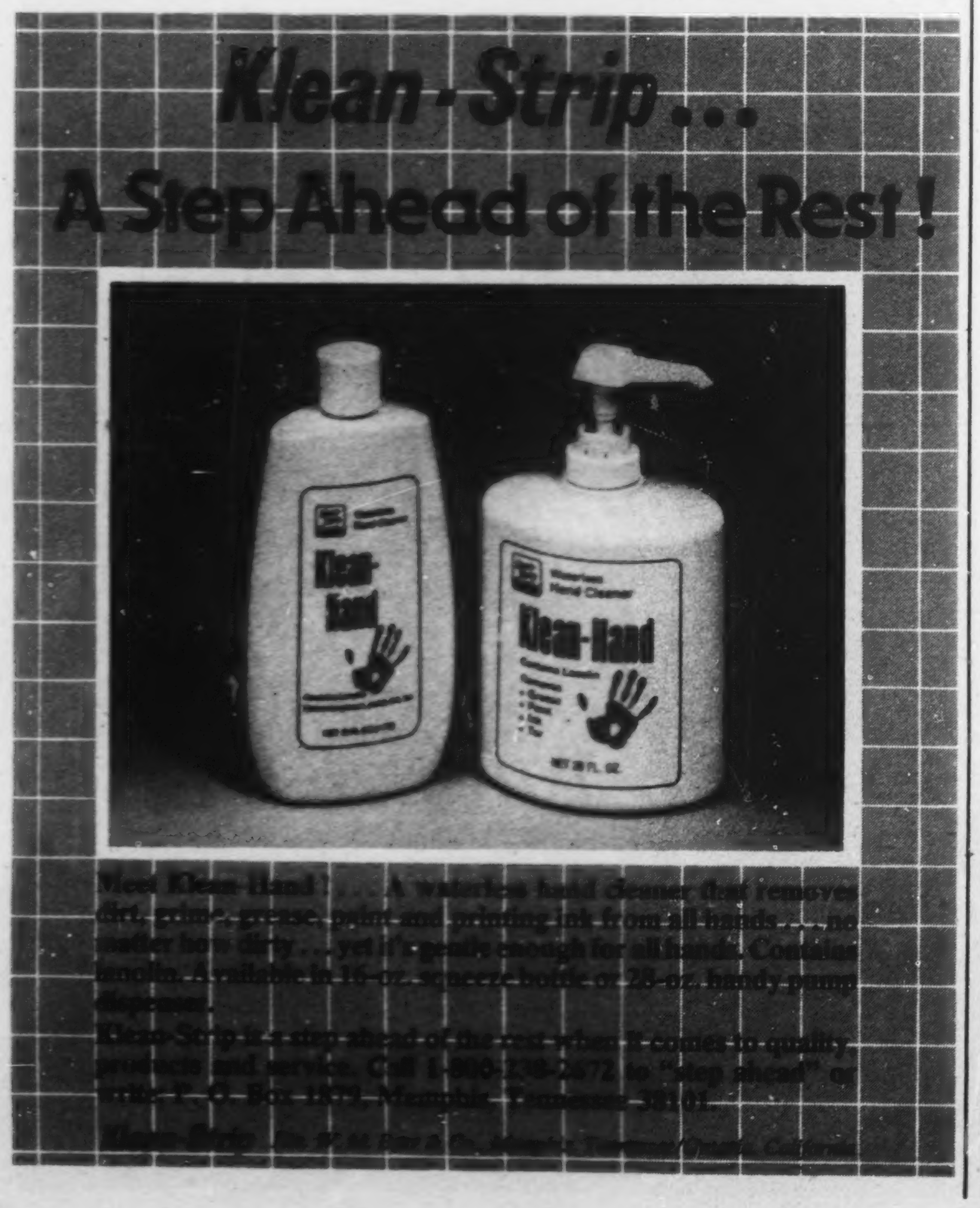
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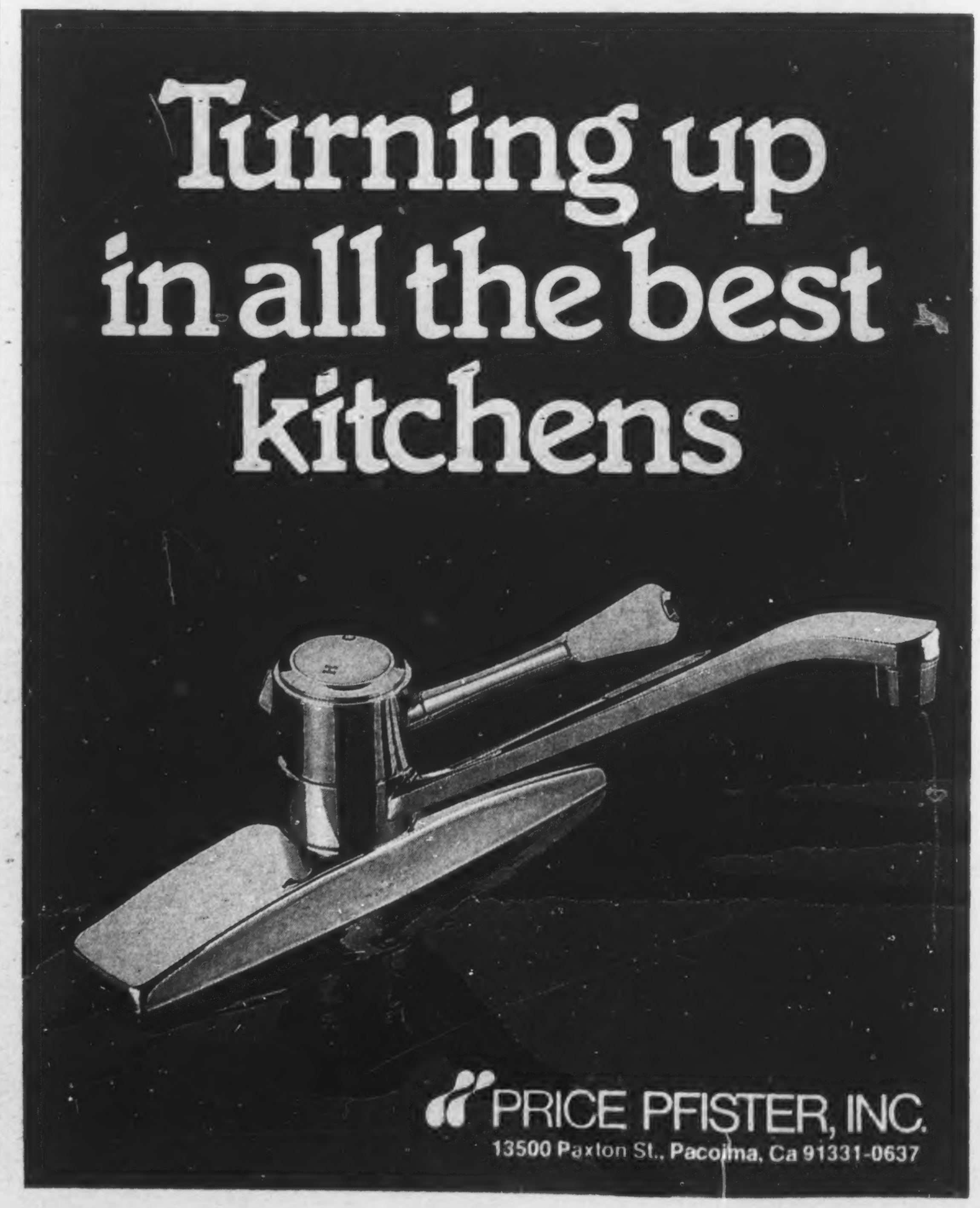
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Growth expectations limit Salt Lake's promise

SALT LAKE CITY — The continuing growth of this Western market was underscored late last year when the Fred Meyer chain, known for its 100,000-sq.-ft.-plus "one-stop shopping" outlets, debuted five home centers in the Greater Salt Lake market.

The home centers, known as Home & Garden Centers, each range from 25,000 sq. ft. to 30,000 sq. ft. and are attached to the regular Fred Meyer store. Portland, Ore.-based Fred Meyer operates 10 stores in this market—part of its 31-store acquisition of Salt Lake-based Grand Central discount stores last spring.

Steve Hawes, Home & Garden Centers operations manager for the Salt Lake and Idaho markets, said the remaining Fred Meyer outlets in the market will receive the new centers this year with the exception of two or three which are not large enough to accommodate the expansion.

"This market is alive with hustle and bustle," Hawes said. "It is a strong DIY market—people here are very handy and they take on projects."

Salt Lake City is a market that has been dominated by Ernst Home Centers and a few strong independents, primarily because larger companies like W. R. Grace and Pay 'N Pak have shown only peripheral interest in expanding their businesses here.

However, the area is growing, and that has been recognized by some of the industry's less-heralded chains like Fred Meyer, Skaggs and Sutherland Lumber, all of which added new stores here in 1984.

Retailers generally concur, though, that there is only a limited amount of revenue any chain can squeeze out of Salt Lake because of its current size, which is not expected to change markedly over the next four years.

"Remember that there are more people in San Diego county than in Utah, Wyoming and Idaho combined," said James C. Beardall, president and ceo of Anderson Lumber in Ogden,

(Continued on page 42)

The Salt Lake City/Ogden market at a glance

Demographics	1978	1983	% change	1988^{P}	% change
Population (thousands)	851.70	1,008.10	+18.3	1,146.80	+13.7
Households (thousands)	262.70	322.10	+22.6	367.50	+14.1
Effective buying income (billions $)	5.06	8.65	+70.9	14.99	+73.3
Average household effective buying income (thousands $)	17.48*	26.85	+53.6	40.79	+51.9
Total retail sales (billions $)	3.28	4.72	+43.9	8.05	+70.6
Per household retail sales (thousands $)	12.49	14.65	+17.3	21.91	+49.6
Building materials/hardware sales (millions $)	280.30	234.30	−16.4	NA	—

Source: Sales Marketing Management Survey of Buying Power© *median HHEBI ^{E}—estimate ^{P}—projection NA—Not available

Housing starts	1982	1983	% change	1984^{E}	% change	1985^{P}	% change
Total	4,200	9,530	+126.9	11,811	+23.9	8,416	−28.7
Single family	2,870	5,930	+106.6	5,152	−13.1	4,766	+ 7.5

Source: National Assn. of Home Builders

Existing Home Prices	1982	1983	(3rd Q) 1984
Median sales prices of existing single-family homes (thousands $)	64.6	64.3	67.6

Source: National Assn. of Realtors, local real estate boards

NHCN charts

Detroit whse invasion signals northern trek

(Continued from page 38)

The average Forest City unit in Detroit is 50,000 sq. ft., with the largest in the area being 65,000 sq. ft. Siegel said there were no plans to enlarge the units.

All this expansion has some dealers here pondering their futures in Detroit. But most have met with adversity in the past, and are taking these new competitive challenges in stride.

"The competition here is used to bending and moving," said Daniel Toms, vice president for the 12-unit Pine Lumber Cashway, whose sales rose 8% in 1984.

The chain has been promoting higher-end merchandising in its stores through an aggressive advertising campaign. And it has recently introduced a new computer system for inventory control in its stores.

Church's Lumber is also reviewing its 12 stores' product mix, and has stepped up its ad campaign, especially during slow sales periods like December when ad rates are reduced.

Last year, Erb Lumber's seven Detroit units benefitted from a strong remodeling business in Detroit, and per-store sales rose to $4.2 million. "Our two builder-oriented units had a great year," said the chain's vp, John Erb.

The company, which operates a total of 36 stores, has been concentrating on electricals, paint and plumbing in its smaller units here, but offers a much fuller line of products in its Birmingham Lumber unit, located in the prosperous suburb of the same name. "A customer drove 20 miles last weekend to buy a wood product at that store he couldn't find elsewhere," said Ron Snyder, Erb's regional manager.

However, with Builder Square and Home Depot moving in, those kinds of transactions may be harder to come by, and Erb may now be considering the more direct competitive approach of opening a warehouse unit of its own.

In Cleveland, Erb and Eclipse Industries have already begun operating a 90,000-sq.-ft. unit. And, according to company president Fred Erb, several locations in Michigan were considered before the unit in Cleveland became available.

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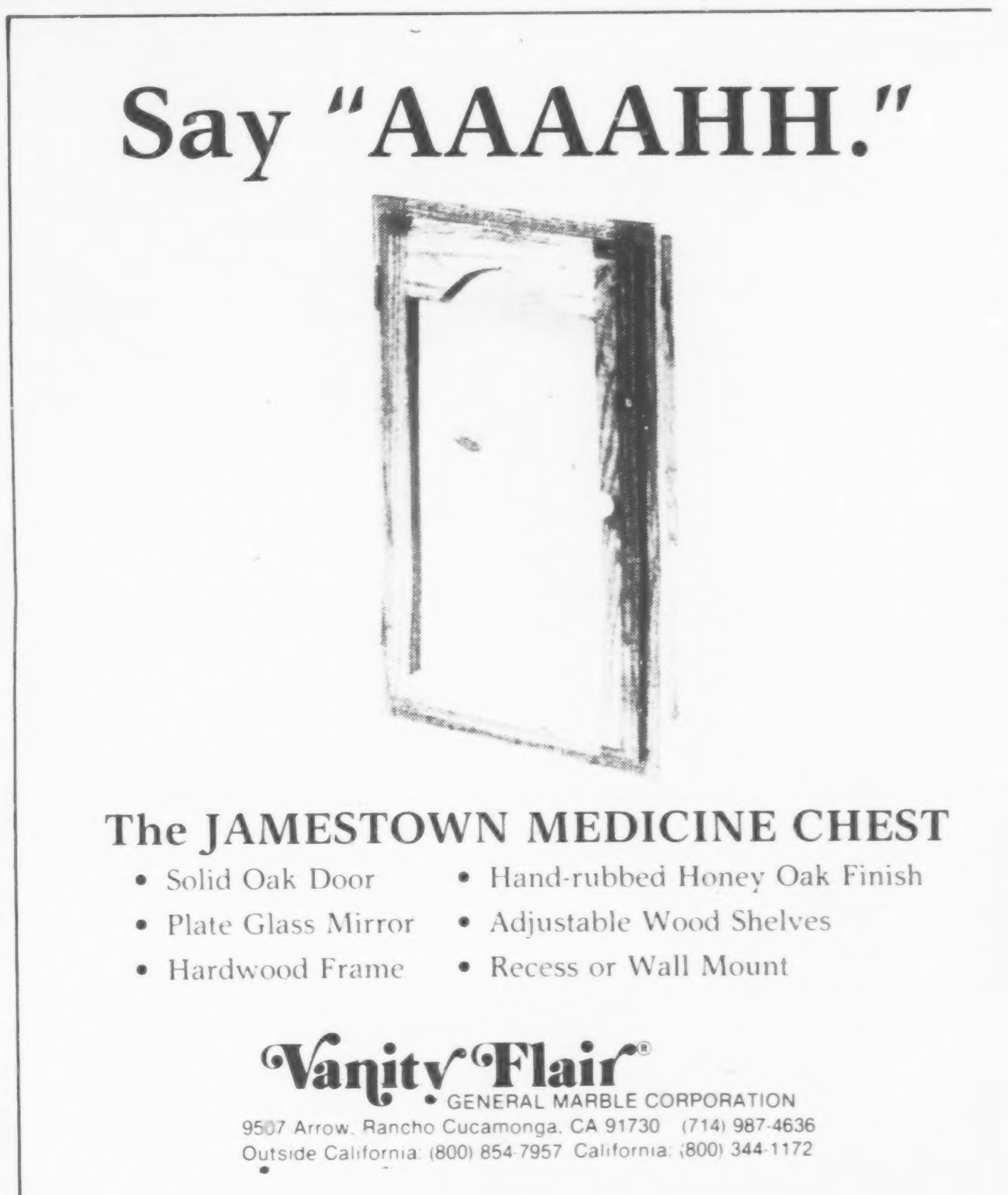
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NHCN's 1985 METRO MARKET OUTLOOK

Expectations for future growth restrict Salt Lake City's promise

(Continued from page 39)

Utah.

Anderson Lumber has two of its 22 outlets in the Greater Salt Lake market, including its 18-month-old West Jordan building materials center, which is generating sales of $12 to $15 million—No. 1 in the chain—on an annualized basis.

From Beardall's perspective, the Greater Salt Lake market is overstored, but he conceded that the area nonetheless "is a good, growing area."

Nearly three-fourths of Utah's residents are Mormon, and they follow a religious doctrine that emphasizes self-reliance. Traditionally, consumers reportedly have been loyal to a particular dealer based on geographic location. The market has an unusual number of strong single-unit independents. Recently, however, the expansion of DIY outlets has brought a new price-sensitive competitiveness to the market.

There is a conservative outlook among many shoppers, some of whom "won't shop on Sundays," said Dave Schauerhamer, general manager of two-unit Economy Builders Supply, one of the strongest independents with $20 million sales almost divided equally between contractors and retail.

"We are closed on Sundays, and I think most [DIY-oriented] retailers would do just as well to close down," Schauerhamer commented.

According to Sales & Marketing Management's 1984 Survey of Buying Power, the Salt Lake City-Ogden MSA ranks 47th nationally in building materials and hardware store sales—$234.3 million.

The metro area has just over 1 million residents, but in Salt Lake County—the urbanized area where most retail sales occur—are 687,000 residents. In this county, which includes Salt Lake City, Sandy, Midvale, Murray and West Valley City, most DIY activity is centered.

Ernst Home Centers, with nine units in Greater Salt Lake, devours the biggest chunk of the building materials market-share pie, according to a survey by local radio station KSL-AM, a CBS affiliate. Ernst garners nearly 25% of the market while everybody else captures 6% or less.

Market observers say Ernst's share is based on having more units than any other competitor. The Ernst stores generate "close to $3 million" in annual sales, according to a store manager, which means that the chain's total market pull here is as much as $27 million.

Jim Konschuh, spokesman for Ernst parent Pay 'n Save, Seattle, said "several" stores in the Salt Lake market are slated to get "a brand new look" later this year as part of a chainwide retrofit program in which stores are being given a stronger project-oriented, big-ticket emphasis.

In terms of important industry developments in 1984, Fred Meyer's arrival was perhaps the biggest story. Other market players were also developing new stores, notably Kansas City-based Sutherland Lumber and Salt Lake-headquartered American Stores.

Sutherland opened its second store here in March 1984 and is building its third outlet expected to open this spring. American operates four Skaggs Home Centers in Greater Salt Lake. It started 1984 with three units, built two new ones and closed one for a net total of four. The outlets range from 24,000 sq. ft. to 30,000 sq. ft. and are located next to Skaggs-Alpha Beta food-drug combo stores.

Pay 'N Pak, Kent, Wash., meantime, has three stores in the market—none of which has been converted to its newer, warehouse-style prototype. A Pay 'N Pak in Sandy has a sign in front proclaiming, "We don't beat the competition. We are the competition." The chain advertises "guaranteed lowest prices" or it will "knock an additional 5% off [a competitor's advertised] price."

Samon's, a North Salt Lake-based specialty chain, has five stores in the market which emphasize big-ticket spas, plumbing, electrical, heating and air conditioning, but not lumber.

In contrast, most independents emphasize lumber and have separate contractor entrances to cater to their charge account customers. These independents include Cook Lumber, Burton Lumber and Chris & Dick's.

Also a marketplace factor is two membership general-merchandise warehouses which opened in 1984 in Greater Salt Lake. Both the Price Savers Membership Warehouse, which is a division of Pay 'n Save, and the Seattle-based Costco Wholesale Co., which operates a unit here, sell some home center merchandise including tools and KD furniture.

Their market presence reflects this area's ability to support a low-margin, high-volume retailing format, but, to date, warehouse home centers have not established a foothold here.

Their absence could be in part due to the MSA demographics, which reflect Salt Lake's lower-tier ranking in terms of major United States metropolitan areas. The Salt Lake City-Ogden MSA accounts for 61% of the state's population, with 322,100 households, ranking it 52nd nationally. The MSA's EBI (Effective Buying Income) is $8.65 billion, for a 55th national ranking.

Greater Salt Lake home centers

Company	No. of stores
Ernst	9
Fred Meyer	5*
Samon's	5
Skaggs Home Centers	4
Pay 'N Pak	3
Burton Lumber	3
Sutherland Lumber	2
Anderson Lumber	2
Economy Builders Supply	2
Allwoods	1
Chris & Dick's	1
Cook Lumber	1

*Stores with Home & Garden Centers
Source: NHCN research

Anderson's Beardall asserted that the region's economic outlook, "as a whole, is good for 1985." While housing starts will remain flat, mortgage rates will range from 12½% to 14%. He said the Utah unemployment rate will be 6%-6½% in 1985, below the national rate of 7% to 7½%.

FOR THE RECORD

Ideal Security buys Storm King

ST. PAUL, Minn. — As part of its drive to diversify its product mix, Ideal Security Hardware has purchased S. B. Manufacturing, based in Milwaukee, Wis., the producer of the Storm King line of storm and screen door hardware.

Ideal manufactures storm and screen door hardware and also supplies security hardware and other builders' products.

Because Storm King has strong brand awareness among consumers, Ideal will be retaining the brand name of those products.

The company recently relocated into a new, one-level, 238,000-sq.-ft. building. S. B. Manufacturing will be integrated into this operation.

Ideal is a division of EAC Industries, a diversified company serving hardware, aerospace, special design electrical motors, manufactured housing and graphic arts markets.

PLAY IT SMART with . . .

MAZE

It takes a special nail to provide long and dependable fastener service, and to perform effectively over the extended life of pressure-treated wood projects. Maze Stormguard "PTL" Nails are actually dipped twice in molten zinc to insure a thick, uniform coating that protects the nails from prematurely rusting and spoiling treated wood structures.

These slim shank, high quality nails have the kind of zinc-coating recommended by producers of wood preservative chemicals. So play it smart — for "PTL" wood, use Maze Stormguard "PTL" Nails!

WRITE FOR LITERATURE

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